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Report of the Commissioner for the German Railways (June 28, 1929).

Report of the Commissioner of the Reichsbank (July 1, 1929).

Report of the Commissioner of Controlled Revenues (June 21, 1929).

Report of the Trustee for German Industrial Debentures (June 15, 1929).

Report of the Trustee for German Railway Bonds (June 29, 1929).



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**REPORT OF THE COMMISSIONER
OF THE REICHSBANK**

(July 1, 1929)

**REPORT OF THE COMMISSIONER
FOR THE GERMAN RAILWAYS**

(June 28, 1929)

**REPORT OF THE COMMISSIONER
OF CONTROLLED REVENUES**

June 21, 1929

**REPORT OF THE TRUSTEE
FOR THE GERMAN INDUSTRIAL
DEBENTURES**

(June 15, 1929)

**REPORT OF THE TRUSTEE
FOR THE GERMAN RAILWAY BONDS**

(June 29, 1929)

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REPORT
OF THE COMMISSIONER
OF THE REICHSBANK

July 1, 1929

BERLIN

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Report of the Commissioner of the Reichsbank.

(September 1, 1928 to June 30, 1929).

Berlin, July 1, 1929.

The following interim Report covers the period from September 1, 1928 to June 30, 1929. For events which occurred in the period September to the beginning of December 1928, a general reference may be made to the last annual Report dated December 10, 1928.

I. General Council.

There has been no change in the composition of the General Council during the period covered by the present Report.

The re-election of Herren Franz von Mendelssohn, Hans Remshard and Oscar Wassermann as members of the General Council was confirmed in conformity with Article 16 of the Bank Law on February 4, 1929, by the shareholders of the Bank in possession of German nationality.

Annex A contains a list of the members of the General Council and of the Reichsbank-Direktorium.

The General Council met monthly during the period under report, and examined at its meetings the monthly reports of the President and of the Commissioner.

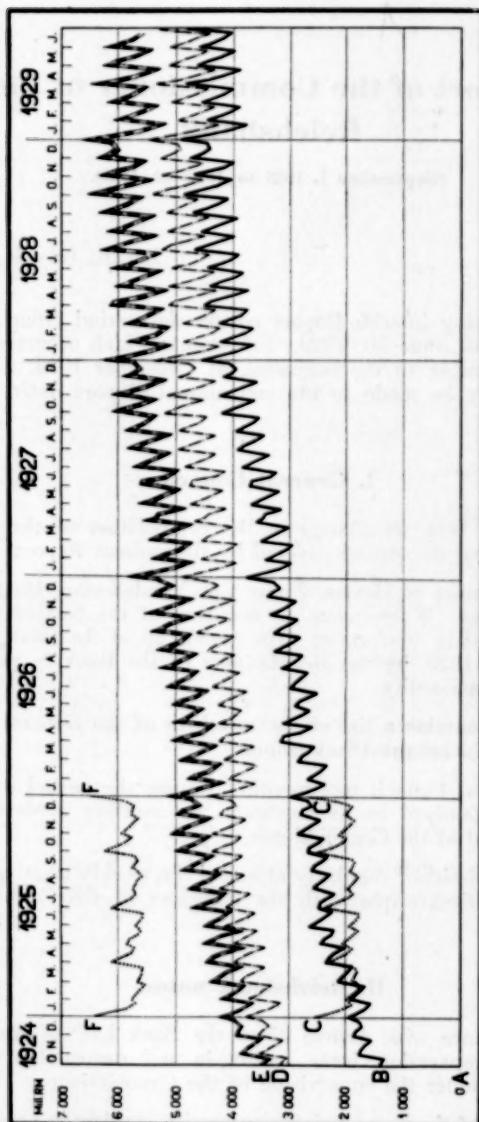
The Commissioner regularly attended the weekly meetings of the Reichsbank-Direktorium with the delegates of the Central Committee.

II. Reichsbank notes.

In accordance with Article 27 of the Bank Law of August 30, 1924, the preparation, issue, calling-in and destruction of notes takes place under the supervision of the Commissioner.

The duty of the Commissioner primarily consists in securing the execution of such provisions of the Law and Statutes as apply to the right of issuing notes and the maintenance of the gold cover for the notes in circulation.

Diagram I.
Means of payment in circulation.



A—F. Total circulation of means of payment Riga.
A—E. Total circulation of means of payment Riga.
A—C. Circulation of Riga bank notes Riga.
A—B. Circulation of Riga bank notes Riga.
B—D. Circulation of Riga bank notes Riga.

a. Issue of Reichsbank notes.

As mentioned in the annual Report for 1926-27, various additional issues of Reichsbank notes were prepared during 1926 and 1927, and the Reichsbank was occupied since November, 1927, with further issues of notes of all values, in order to increase its reserves and to replace the bank notes which have become unusable in circulation; the printing of these notes came provisionally to an end on May 30, 1929. The work of applying the issue control stamp of the Commissioner to the last mentioned additional issues was done in the same manner as hitherto in the Printing Office of the Reich under the supervision of two control officials of Dutch nationality.

The destruction of Reichsbank notes, which have become unusable in circulation, takes place as required, under the supervision of the Commissioner. In this connection it has again been found that in circulation the control stamp has continued to prove satisfactory.

The circulation of Reichsbank notes has been as follows:

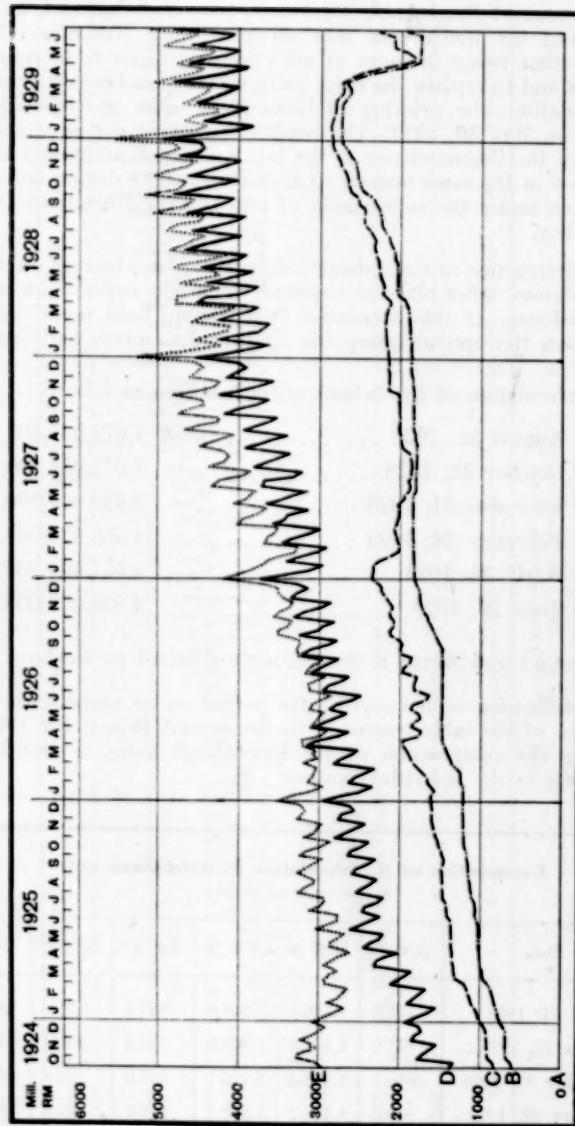
on August 31, 1928	RM 4,673,034,000,
on October 31, 1928	» 4,672,013,000,
on December 31, 1928	» 4,930,069,000,
on February 28, 1929	» 4,553,026,000,
on April 30, 1929	» 4,631,496,000,
on June 29, 1929	» 4,838,647,000.

Diagram I and Annex B contain more detailed particulars.

The following table covering the period under report is in continuation of the table contained in the annual Report for 1927-28 showing the composition of the Reichsbank notes in circulation according to the individual values.

Composition of the circulation of Reichsbank notes (in millions of reichsmarks)						
Date	RM 10	RM 20	RM 50	RM 100	RM 1000	Total
August 31, 1928 ...	793.5	1,488.2	1,326.0	937.4	128.0	4,673.0
October 31, 1928 ..	821.9	1,476.6	1,303.0	934.2	136.4	4,672.0
December 31, 1928.	860.1	1,498.4	1,404.1	974.6	192.8	4,930.0
February 28, 1929 .	840.2	1,410.9	1,286.4	871.2	144.3	4,553.0
April 30, 1929.....	866.9	1,419.6	1,337.4	864.7	142.9	4,631.5
June 29, 1929.....	896.4	1,491.5	1,419.4	895.7	135.6	4,838.6

Diagram II.
Cover for Reichsbank notes.



A—B, Grid holdings,
B—C, Devises available for cover,
C—E, Bills and cheques,
A—D, Circulation of Reichsbank notes

The above figures refer exclusively to Reichsbank notes. In order to obtain a complete idea of the composition of the total paper circulation in Germany, the figures for the Rentenbank notes and the notes of Private Banks of Issue in circulation would have to be taken into consideration as well.

b. Cover for Reichsbank notes.

Under Article 28 of the Bank Law, the Reichsbank is obliged always to hold the following cover for the amount of its notes in circulation:

1. at least 40 per cent in gold or Devisen (foreign exchange), of which not less than three-quarters must be in gold (Article 28a);
2. for the remaining amount, discounted commercial bills or cheques (Article 28b).

Gold within the meaning of this provision is bar gold as well as German or foreign gold coins (the pound fine being calculated at $\mathcal{R}M$ 1,392), in so far as such gold is in the possession of the Bank or deposited with a foreign central bank of issue in such a way that it is at all times at the free disposal of the Reichsbank.

Devisen (foreign exchange) are bank notes, or bills of exchange having a currency of not more than 14 days, cheques and day-to-day claims payable in foreign currency at a bank of known solvency in a foreign financial centre. They are to be taken at their current gold value.

Below is a statement of the movements of this cover, which is expressed in the form of a graph in Diagram II; the figures appear as Annex C to the present Report. Their significance will be discussed more in detail in connection with the remarks on the policy of the Reichsbank.

Cover in gold and Devisen.

The cover in gold and Devisen available for cover was as follows:

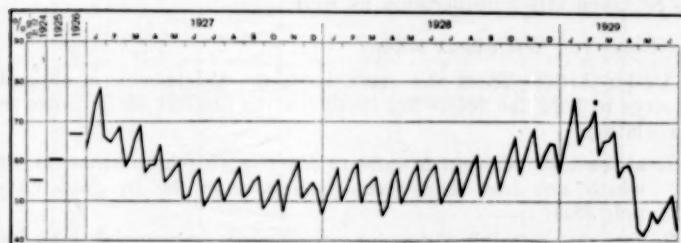
on August 31, 1928	$\mathcal{R}M$ 2,443,038,000,
on October 31, 1928	" 2,696,072,000,
on December 31, 1928	" 2,884,604,000,
on February 28, 1929	" 2,819,319,000,
on April 30, 1929	" 1,990,947,000,
on June 29, 1929	" 2,271,910,000.

This cover attained its maximum figure since the coming into force of the Bank Law on January 22, 1927, namely 78.5 per cent, and its minimum figure on May 7, 1929, namely 41.0 per cent. During the period under report it has continued to be in excess of the legal minimum of 40 per cent of the notes in circulation.

Diagramm III shows the percentual development of this cover; the figures are given in Annex D.

Diagram III.

Percentual cover for Reichsbank notes in gold and Devisen available for cover.



Gold.

As explained in the annual Report for 1927-28, the gold holdings showed an appreciable increase in 1928, which—apart from a temporary stagnation in May of that year—continued steadily until January 7, 1929. On this date the gold holdings attained their maximum figure of $\mathcal{R}M$ 2,729,345,000. Since that date there has been a falling off, of no appreciable extent until the end of February, but amounting to $\mathcal{R}M$ 46.2 millions in March and as much as $\mathcal{R}M$ 791.1 and 127.0 millions in April and May respectively. On June 22, a minimum of $\mathcal{R}M$ 1,764,327,000 was reached, which was $\mathcal{R}M$ 965.0 millions below the maximum of January 7. In the last week of June, however, the gold holdings increased again by $\mathcal{R}M$ 147.1 millions.

The following table shows the movements of the gold holdings of the Reichsbank:

Date	Total gold holdings $\mathcal{R}M$	Gold deposits with foreign Banks of Issue $\mathcal{R}M$
August 31, 1928	2,248,130,000	85,626,000
October 31, 1928	2,532,815,000	85,626,000
December 31, 1928	2,729,331,000	85,626,000
January 31, 1929	2,729,182,000	85,626,000
February 28, 1929	2,728,933,000	85,626,000
March 28, 1929	2,682,702,000	129,748,000
April 30, 1929	1,891,575,000	172,708,000
May 31, 1929	1,764,529,000	59,147,000
June 29, 1929	1,911,384,000	80,095,000

As the above figures show, the gold holdings of the Reichsbank increased during the period August 31, to December 31, 1928, by $\mathcal{R}M$ 481.2 millions, but fell during the period December 31, 1928

to June 29, 1929 by \mathcal{RM} 817.9 millions. Taken as a whole the gold holdings have therefore decreased during the entire period under report by \mathcal{RM} 336.7 millions.

The gold holdings abroad, which had remained unchanged at \mathcal{RM} 85.6 millions since February 29, 1928, increased from February 28, 1929, until April 30, 1929—apart from a fall in the first week of March—to \mathcal{RM} 172.7 millions. In May they have decreased to \mathcal{RM} 59.1 millions. On June 29, they amounted to \mathcal{RM} 80.1 millions.

The following table shows the monthly increase or decrease in the total gold holdings of the Reichsbank:

Month	Increase (+) or decrease (-) (in millions of reichsmarks)
September, 1928	+ 148.8
October, 1928.....	+ 135.8
November, 1928	+ 90.7
December, 1928	+ 105.8
January, 1929	— 0.1
February, 1929	— 0.2
March, 1929	— 46.2
April, 1929	— 791.1
May, 1929	— 127.0
June, 1929	+ 146.9

The decreases in March, April and May, 1929, totalling \mathcal{RM} 964.3 millions, were almost exclusively due to exports abroad. Approximately 200 millions were shipped direct to America, and roughly 700 millions to France and Belgium, whilst in exchange gold was made available in New York through the Banque de France and the Banque Nationale de Belgique.

The sales of gold were distributed between the various countries as follows (in round figures):

U. S. A.	\mathcal{RM} 870 millions,
Great Britain	" 40 " ,
France	" 17 " ,
Holland	" 17 " ,
Switzerland	" 11 " .

Since the first week of May there have been no more exports of gold. The considerable increase in the gold holdings during the last week of June was due to several consignments received from London.

The Reichsbank continued to place small amounts of gold at the disposal of industry.

Devisen.

The Devisen shown in the returns amounted

on August 31, 1928	to	RM 194,908,000,
on October 31, 1928	to	» 163,257,000,
on December 31, 1928	to	» 155,273,000,
on February 28, 1929	to	» 90,386,000,
on April 30, 1929	to	» 99,372,000,
on June 29, 1929	to	» 360,526,000.

Cover in bills and cheques.

The holdings of the Reichsbank in bills and cheques were as follows:

on August 31, 1928	RM	2,603,908,000,
on October 31, 1928	»	2,348,280,000,
on December 31, 1928	»	2,627,357,000,
on February 28, 1929	»	1,876,419,000,
on April 30, 1929	»	2,790,227,000,
on June 29, 1929	»	2,843,048,000.

The circulation of the notes of the Reichsbank and the cover held have been regularly subjected to control by the Commissioner.

c. Redemption of Reichsbank notes.

Under Article 31 of the Bank Law, the Reichsbank is obliged to redeem its notes to bearer, at the option of the Bank, in German gold coins, in gold bars or in cheques or orders to pay in foreign currency. According to Article 52, however, the coming into force of this provision requires a combined decision of the Reichsbank-Direktorium and the General Council. So far no such decision has been taken, and accordingly the Bank is at present under no legal obligation to redeem its notes.

The policy of the Reichsbank in this matter will be discussed under Section VIII, k, below.

d. The old notes of the Reichsbank.

As explained in earlier Reports, the return of the notes issued by the Reichsbank before the coming into force of the Bank Law of August 30, 1924, which became worthless on July 5, 1925, has almost entirely ceased. On June 29, 1929, only RM 10.4 millions had not yet been returned to the Bank. It may be assumed that a large part of these old notes, for the exchange of which the Reichsbank still offers facilities at its head office in Berlin, are no longer in existence or will not be presented for exchange because the total of the notes in the hands of individual holders falls below the minimum allowed for exchange, viz. 10 milliard paper marks = 1 reichspfennig.

III. Other media of payment.

Under Article 1 of the Bank Law, the Reichsbank has among other duties that of regulating the circulation of money throughout the Reich.

In addition to the notes issued by the Reichsbank, there are also in circulation in Germany the notes issued by the Rentenbank, the notes of the four Private Banks of Issue, and coins.

Diagram I shows, side by side with the circulation of Reichsbank notes, that of the other instruments of payment for the period from October 15, 1924 (first weekly statement of the Reichsbank under the Bank Law of August 30, 1924) to May 31, 1929. The figures on which the diagram is based are given in Annex B to the present Report.

The movement of the total instruments of payment in circulation during the period under report is shown in the following table:

	Aug. 31, 1928	Oct. 31, 1928	Dec. 31, 1928	Feb. 28, 1929	Apr. 30, 1929	May 31, 1929
in millions of <i>R.M.</i>						
Reichsbank notes.....	4,673.0	4,672.0	4,930.1	4,553.0	4,631.5	4,606.4
Rentenbank notes.....	570.1	542.7	529.9	508.2	489.1	490.8
Notes of Private Banks of Issue.....	186.6	188.6	187.3	183.5	185.1	177.9
Total amount of notes in circulation.....	5,429.7	5,403.3	5,647.3	5,244.7	5,305.7	5,275.1
Coins.....	909.3	940.1	967.4	953.1	950.4	982.6
Total.....	6,339.0	6,343.4	6,614.7	6,197.8	6,256.1	6,257.7

The percentual ratio of the various media of payment to the total amount in circulation was:

	Aug. 31, 1928 %	Oct. 31, 1928 %	Dec. 31, 1928 %	Feb. 28, 1929 %	Apr. 30, 1929 %	May 31, 1929 %
in millions of <i>R.M.</i>						
Reichsbank notes.....	73.72	73.65	74.53	73.46	74.03	73.61
Rentenbank notes.....	8.99	8.56	8.01	8.20	7.82	7.85
Notes of Private Banks of Issue.....	2.94	2.97	2.83	2.96	2.96	2.84
Total amount of notes in circulation.....	85.65	85.18	85.37	84.62	84.81	84.30
Coins.....	14.35	14.82	14.63	15.38	15.19	15.70
Total.....	100.00	100.00	100.00	100.00	100.00	100.00

a. Rentenbank notes.

The founding, activities and liquidation of the Deutsche Rentenbank have been discussed in detail in earlier Reports.

Under Article 5 of the Law for the Liquidation of Rentenbank Notes in Circulation, the total amount of Rentenbank notes in circulation has to be liquidated by the Reichsbank in not more than 10 years.

Under Article 6 of the same Law, a special sinking fund is to be formed for the purpose at the Reichsbank and under its administration; the fund is to be supplied from the following sources:

- (a) interest payments by the owners of landed property mortgaged in favour of the Rentenbank;
- (b) contributions of the Reich to the amount of $\mathcal{R}M$ 60 millions per annum;
- (c) share of the Reich in the profits of the Reichsbank.

The Rentenbank notes paid into sinking fund have to be destroyed by the Reichsbank. In so far as the above-mentioned payments are made in reichsmarks, the Reichsbank has to withdraw a corresponding amount of Rentenbank notes from circulation and to destroy them.

Up to May 31, 1929, the Reichsbank had received $\mathcal{R}M$ 1,512.2 millions in all for redemption, as against $\mathcal{R}M$ 1,431.4 millions on August 31, 1928; the payments were made up as follows:

	August 31, 1928	May 31, 1929
	(in millions of $\mathcal{R}M$)	
Under Article 7a of the Liquidation Law (interest payments by the owners of land mortgaged in favour of the Rentenbank)	248.5	279.1
Under Article 7b of the Liquidation Law (contribution of the Reich amounting to $\mathcal{R}M$ 60 millions per annum)	225.0	270.0
Under Article 7c of the Liquidation Law (share of the Reich in the profits of the Reichsbank) ¹	77.5	82.8
Under Article 11 of the Liquidation Law ("economic credits" granted by the Rentenbank and paid back in full since November 30, 1927)	880.3	880.3
Total	1,431.4	1,512.2

¹ In the business years 1924/25 this share amounted to $\mathcal{R}M$ 55.6, $\mathcal{R}M$ 12.2, $\mathcal{R}M$ 4.2, $\mathcal{R}M$ 5.5 and $\mathcal{R}M$ 5.2 millions respectively.

During the period under report the circulation of Rentenbank notes—since January, 1928, the figure does not include the amount under earmark at the Reichsbank totalling $\mathcal{R}M$ 70.1 millions, to

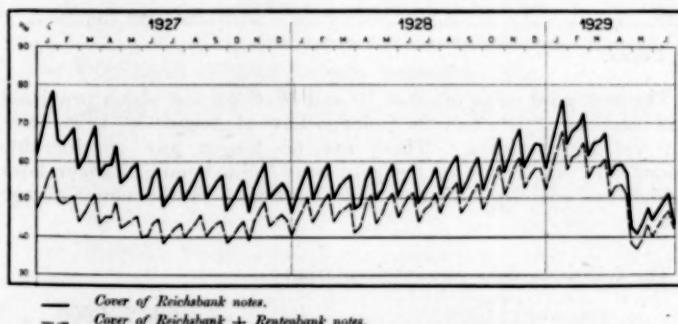
which reference was made in detail in the Report for the year 1927-28—has been as follows:

on August 31, 1928	RM 570,074,000,
on October 31, 1928	" 542,667,000,
on December 31, 1928	" 529,856,000,
on February 28, 1929	" 508,167,000,
on April 30, 1929	" 489,115,000,
on May 31, 1929	" 490,784,000.

The debt of the Reich to the Rentenbank was reduced from RM 719.0 millions on August 31, 1928, to RM 615.6 millions on May 31, 1929.

Although the Reichsbank is under no obligation to keep cover for the Rentenbank notes, it is of interest (in view of the fact that the notes of the latter bank circulate side by side with the Reichsbank notes without there being any gold or Devisen cover for them) to examine the relation of the gold and Devisen cover of the Reichsbank to the total of both means of payment. Diagram IV therefore contains the percentages of cover for the Reichsbank and Rentenbank notes together in addition to the percentages of cover for the Reichsbank notes alone.

Diagram IV.
Percentual cover in gold and Devisen available for cover.



Upon the completion in 1927 of the liquidation of the "economic credits" granted by the Rentenbank, the task of the latter has consisted entirely (apart from the administration of its capital) in co-operating with the Reichsbank in the continued liquidation of the Rentenbank notes put into circulation in connection with the

loan to the Reich. The net profits of the Rentenbank fell in 1928 to $\mathcal{R}\mathcal{M}$ 2.8 millions as against $\mathcal{R}\mathcal{M}$ 14.1 millions in 1927. This amount together with $\mathcal{R}\mathcal{M}$ 7.2 millions taken from the profits reserve formed at an earlier date, making a total of $\mathcal{R}\mathcal{M}$ 10 millions, were transferred to the Deutsche Rentenbank-Kreditanstalt in accordance with Article 9 of the Rentenbank Liquidation Law. The Rentenbank is of the opinion that the profits reserve remaining after transfer ($\mathcal{R}\mathcal{M}$ 44.5 millions) together with the reserves ($\mathcal{R}\mathcal{M}$ 5.5 millions) will be sufficient to meet the liabilities under the Rentenbank Decree and the Liquidation Law.

b. Notes of the Private Banks of Issue.

The note circulation of the Private Banks of Issue (the Bayrische Notenbank, the Württembergische Notenbank, the Sächsische Bank and the Badische Bank), the maximum figure for which was fixed by the Bank Law of August 30, 1924, at a total of $\mathcal{R}\mathcal{M}$ 194 millions, was:

on August 31, 1928	$\mathcal{R}\mathcal{M}$ 186,613,000,
on October 31, 1928	" 188,617,000,
on December 31, 1928	" 187,312,000,
on February 28, 1929	" 183,511,000,
on April 30, 1929	" 185,087,000,
on May 31, 1929	" 177,940,000.

On May 31, 1929, the total note cover of the Private Banks of Issue amounted to $\mathcal{R}\mathcal{M}$ 65.9 millions in gold and $\mathcal{R}\mathcal{M}$ 27.4 millions millions in Devisen available for cover.

c. Coins.

The new gold coins of $\mathcal{R}\mathcal{M}$ 10 and $\mathcal{R}\mathcal{M}$ 20, for which provision was made in Article 2 of the Coinage Law of August 30, 1924, have not yet been minted. There are no longer any considerable amounts in circulation of the gold coins coined under former laws (which are still legal tender under Article 4 of the new Coinage Law).

The following coin was in circulation :

on August 31, 1928	$\mathcal{R}\mathcal{M}$ 909,284,000,
" October 31, 1928	" 940,057,000,
" December 31, 1928	" 967,441,000,
" February 28, 1929	" 953,052,000,
" April 30, 1929	" 950,441,000,
" May 31, 1929	" 982,561,000.

These coins are issued by the Reich and put into circulation by the Reichsbank as circumstances require. Under Article 8 of the Coinage Law, the aggregate amount of coin of the denomination of $\text{RM} 5$ and under may not exceed $\text{RM} 20$ per head of the population. At the end of May 1929, the circulation of coin, including $\text{RM} 39.3$ millions in Rentenbank notes of $\text{RM} 5$, amounted to about $\text{RM} 16.09$ per head of the population, as against approximately 12.50 marks per head in 1914.

The changes in the composition of the coin in circulation are shown in the following table :

Circulation of coins (in millions of reichsmarks)			
	August 31, 1928	May 31, 1929	Increase (+) or decrease (-)
Silver coins			
of $\text{RM} 5$	180.9	259.0	+ 78.1
" 3	148.1	147.5	- 0.6
" 2	184.4	178.1	- 6.3
" 1	248.0	242.0	- 6.0
Pfennig coins			
of $\text{RM} 50$ { nickel	33.7	46.0	+ 12.3
aluminium-bronze	29.4	20.3	- 9.1
" 10 aluminium-bronze	55.1	57.6	+ 2.5
" 5 "	23.6	25.3	+ 1.7
" 2 copper	2.9	3.3	+ 0.4
" 1 "	3.2	3.5	+ 0.3
Total	909.3	982.6	+ 73.3

The Reichsbank holdings of coin amounted :

on August 31, 1928	to $\text{RM} 90,746,000$,
" October 31, 1928	" " $86,508,000$,
" December 31, 1928	" " $81,766,000$,
" February 28, 1929	" " $114,352,000$,
" April 30, 1929	" " $134,503,000$,
" June 29, 1929	" " $115,862,000$.

IV. Payments effected otherwise than in cash.

When considering the total circulation, the very important payments effected otherwise than in cash cannot be left out of account.

Reference may be made to the annual Report for 1926-27, which contains some information on the point, and in particular on the part played by the Reichsbank in this connection.

The figures given in earlier Reports are supplemented below.

Turnover of the Giro and Clearing systems of the Reichsbank and the Postal cheque service (in millions of $\mathcal{R.M}$)			
	Giro business of the Reichsbank	Total clearing business of the Reichsbank	Postal cheque business
I. Annual totals			
1924.....	465,470	36,725	78,503
1925.....	472,379	63,063	110,835
1926.....	539,424	83,448	114,810
1927.....	628,793	104,615	136,052
1928.....	694,726	121,006	145,813
II. Monthly totals			
September, 1928.....	54,783	9,420	11,441
October, 1928.....	63,603	10,984	13,453
November, 1928.....	57,543	10,037	12,565
December, 1928.....	60,830	10,551	12,628
January, 1929.....	64,100	11,825	13,178
February, 1929.....	55,918	9,781	10,906
March, 1929.....	58,868	10,107	11,630
April, 1929.....	71,833	12,146	13,029
May, 1929.....	65,950	10,769	12,476
June, 1929.....	58,084	10,146	

Telegraphic Giro transactions have further developed with satisfactory results. In 1928 the amount of telegraphic Giro transfers in Germany totalled $\mathcal{R.M}$ 10,991 millions as against $\mathcal{R.M}$ 7,709 millions in 1927.

The international Giro system was further developed during the period under report. The State Bank of Soviet Russia in Moscow joined the system on April 11, 1929. The following countries (in alphabetical order) now participate: Austria, Belgium, Czechoslovakia, Danzig, Denmark, Estonia, Finland, France, Great Britain, Hungary, Ireland, Latvia, Lithuania, the Netherlands, Norway, Russia, Sweden, Switzerland and the United States of America.

Foreign Giro business transacted by the Reichsbank amounted in 1928 (receipts and payments) to $\mathcal{R.M}$ 78 millions.

V. Relation of the Reichsbank to the Reich.

During the period under report the Reichsbank continued to function as paying agent for the service of the 7 per cent German External Loan 1924.

Since February, 1928, the Reichsbank, acting for the Finance Ministry of the Reich, has offered for sale Treasury bills of the Reich. These bills were placed in part on the open market and taken over in part by public institutions.

End of Month	Treasury bills of the Reich (in millions of <i>R.M.</i>)			Proportion of total circulation on open market	
	Total circulation		Total amount		
	Total amount	Increase (+) or decrease (-) as compared with previous month			
February, 1928	32.5	+ 32.5	7.5	+ 7.5	
March, 1928	40.0	+ 7.5	15.0	+ 7.5	
April, 1928	57.7	+ 17.7	32.7	+ 17.7	
May, 1928	164.7	+ 107.0	54.7	+ 22.0	
June, 1928	217.2	+ 52.5	102.1	+ 47.4	
July, 1928	224.5	+ 7.3	109.4	+ 7.3	
August, 1928	229.0	+ 4.5	113.9	+ 4.5	
September, 1928	296.0	+ 67.0	185.9	+ 72.0	
October, 1928	341.0	+ 45.0	230.8	+ 44.9	
November, 1928	366.7	+ 25.7	316.5	+ 85.7	
December, 1928	391.6	+ 24.9	256.5	- 60.0	
January, 1929	400.0	+ 8.4	334.9	+ 78.4	
February, 1929	366.7	- 33.3	331.6	- 3.3	
March, 1929	382.5	+ 15.8	347.4	+ 15.8	

The bills are issued on the open market: they have a currency of three months, and are negotiated at the private discount rate.

Under the Law amending the Bank Law, of July 8, 1926, Treasury bills issued by the Reich, backed by a further obligee of known solvency in addition to the Reich, may be discounted or admitted as collateral by the Reichsbank for an amount which may not exceed an aggregate total of *R.M.* 400 millions.

The first amount of *R.M.* 1 million of Treasury bills was discounted by the Reichsbank on April 30, 1928. Since then further amounts have been discounted regularly—during the last few months for appreciably larger sums. Since June 15, 1928, loans have also been granted against Treasury Bills as collateral.

The following table gives a survey of the position:

Treasury bills of the Reich discounted or accepted as collateral by the Reichsbank (in thousands of <i>R.M.</i>)			
End of month	Discounted	Accepted as collateral	Total
April, 1928	1,000	—	1,000
May, 1928	—	—	—
June, 1928	1,000	10	1,010
July, 1928	1,750	5,000	6,750
August, 1928	4,500	1	4,501
September, 1928	13,450	3,747	17,197
October, 1928	—	3,584	3,584
November 1928	57,300	1	57,301
December, 1928	51,090	32,734	83,824
January, 1929	9,000	1	9,001
February, 1929	12,500	14,851	27,351
March, 1929	56,990	1	56,991
April, 1929	136,370	13,867	150,237
May, 1929	144,780	9	144,789
June, 1929	158,170	1	158,171

In addition to the above mentioned Treasury bills with a currency of not more than three months, the Reich was obliged in February, 1929, to sell Treasury bills with a longer term on the Stock Exchange through the medium of the Reichsbank to the amount of approximately $\mathcal{R}M$ 155 millions. The communiqué issued in this connection read as follows:

"The Reich has sold on the Stock Exchange through the medium of the Reichsbank Treasury bills admissible as collateral and maturing in part on September 30, 1929, and in part on January 31, 1930. The rate of interest is $7\frac{1}{2}$ per cent. The amount of bills sold is approximately $\mathcal{R}M$ 155 millions. The transaction was necessary in order to enable the Reich to meet the end-of-the-month difficulties arising out of the position of the labour market. It was found necessary to have recourse to Treasury bills, i. e. to a short-term loan, for the reason that the amount of $\mathcal{R}M$ 400 millions allowed under the Bank Law for Treasury bills eligible for rediscount had already been exhausted."

The Reich had recourse to a further transaction in Treasury bills in April, 1929. The following official announcement was made:

"Treasury bills of the Reich will be issued for $\mathcal{R}M$ 170 millions, maturing on July 30, 1929. Of the total amount, the Reichsanleihe Consortium is taking up $\mathcal{R}M$ 140 millions. The balance of $\mathcal{R}M$ 30 millions has been placed elsewhere. In consideration of the provisions of the Bank Law, the Reichsbank cannot associate itself with the Consortium on this occasion. The leadership therefore lies in the hands of the Preussische Staatsbank (Seehandlung). The Treasury bills will be issued without interest coupons and for amounts of $\mathcal{R}M$ 10,000, $\mathcal{R}M$ 50,000, $\mathcal{R}M$ 100,000, $\mathcal{R}M$ 500,000 and $\mathcal{R}M$ 1,000,000. A discount rate of $7\frac{1}{2}$ per cent will be paid, it being understood that, should the discount rate of the Reichsbank be modified during the currency of the Treasury bills, the amount by which the present discount rate of $6\frac{1}{2}$ per cent is exceeded shall subsequently be credited together with the amount redeemed (in proportion to the period of time for which the higher discount rate was in force) on July 30, 1929. In addition, the parties taking up the loan are to receive a small commission. A public issue of the amount taken up is not contemplated."

In May, 1929, the Reichsbank headed the Consortium for the issue of the 7 per cent loan of the German Reich 1929, which was put up for subscription to the amount of $\mathcal{R}M$ 300 millions. The loan is exempt from:

1. property tax;
2. succession duties, in so far as the loan was subscribed by the actual testator;
3. income tax on the interest and other earnings of the loan;
4. any deduction at the source from the interest on the capital.

The subscription price was 99, the subscriptions being exempt from the Stock Exchange turnover tax.

The period of subscription was originally fixed at May 24-31, 1929; payment on the allotments was to be effected to the extent of 40 per cent by June 8, 30 per cent by July 5, and a further 30 per cent by August 5, 1929. The Finance Minister of the Reich, however, decided on May 31, to extend the period of subscription by one week (until June 8, inclusive), postponing the last date of payment for the first instalment of 40 per cent from June 8, to June 12. The Minister based his decision largely on the fact that the last date for subscription coincided with the last day of May, which in view of end-of-the-month difficulties, and the restriction of credits since the beginning of the month in the case of many who might have been prepared to subscribe, might prejudice the loan. The results, however, were very unsatisfactory, the total subscribed only amounting to $\mathcal{R}M$ 183.0 millions.

The loan is redeemable on July 1, 1934, subject to notice given on January 1, 1934. Failing such notice, redemption will take place by drawing of lots annually from July 1, 1935, onwards to the amount of 10 per cent of the original nominal figure. The loan is admissible as collateral at the Reichsbank in accordance with Article 21 of the Bank Law.

$\mathcal{R}M$ 120 millions of the loan were advanced to the Reich by the consortium of banks participating in the subscription under the leadership of the Preussische Staatsbank (but not including the Reichsbank) on the last day of May. This advance was effected against Treasury bills of the Reich maturing on July 25, 1929, at the current rate of the Reichsbank for loans against collateral. Repayment is to be effected out of the subscriptions as they come in, and by July 25, at the latest.

In regard to the working credits which are allowed to be granted to the Reich to an amount not exceeding $\mathcal{R}M$ 100 millions under Article 25 of the Bank Law, the Reich draws upon these in the form of over-drafts and pays interest at the current Reichsbank rate. During the period under report, the Reich has had recourse to such credits on various occasions and in recent months to an increasing extent; more especially at the end of the months the credits have been as a rule almost entirely exhausted.

In conformity with Article 25 of the Bank Law, the Reich had no debt to the Reichsbank in respect of working credits at the end of the business year 1928.

Under the agreement concluded between the Reich and the Reichsbank in 1924, the Bank's claim against the Reich amounted to $\mathcal{R}M$ 235.5 millions, $\mathcal{R}M$ 100 millions of which were in the form of a long-term 2 per cent loan, repayable at the earliest on October 1, 1974, and $\mathcal{R}M$ 135.5 millions in the form of a 3 per cent loan repayable in equal instalments in 15 years. These claims, which were entered in the balance sheet of the Bank at

the end of 1924 at the value of $\mathcal{R}M$ 143.7 millions, have been reduced by the annual repayments, and now figure in the balance sheet as at the end of 1928 as $\mathcal{R}M$ 118.1 millions (end of 1927 : $\mathcal{R}M$ 127.3 millions).

VI. Financial results of the Reichsbank for 1928.

Below some figures are given showing the financial results of the Reichsbank for 1928; the figures are taken from the annual Report submitted to the general meeting on February 4, 1929.

In 1928 the profits of the Reichsbank increased as against the previous year owing to the raising of its interest rates. The total gross profit, which in 1927 was $\mathcal{R}M$ 149.1 millions, increased in 1928 to $\mathcal{R}M$ 157.7 millions : the profits on bills and cheques alone accounted for $\mathcal{R}M$ 138.3 millions in 1928 as against $\mathcal{R}M$ 130.7 millions in 1927. After deduction of administrative costs to the amount of $\mathcal{R}M$ 87.6 millions (1927 : $\mathcal{R}M$ 75.1 millions), of costs for the printing of new notes to the amount of $\mathcal{R}M$ 6.0 millions (1927 : $\mathcal{R}M$ 1.6 millions, which in that year were charged against the reserve), and of the reserves held for the printing of new notes and building purposes to the amount of $\mathcal{R}M$ 10.0 millions and $\mathcal{R}M$ 18.7 millions respectively (1927 : reserve for the printing of new notes $\mathcal{R}M$ 11.6 millions, reserve for building purposes $\mathcal{R}M$ 21.3 millions), and further of the transfer to the Del credere fund to the amount of $\mathcal{R}M$ 10.0 millions (1927 : $\mathcal{R}M$ 15.0 millions), the net profit left to the Bank was $\mathcal{R}M$ 25.4 millions (1927 : $\mathcal{R}M$ 26.1 millions).

In accordance with the provisions of Article 37 of the Bank Law, 20 per cent of the net profits, or $\mathcal{R}M$ 5.1 millions (1927 : $\mathcal{R}M$ 5.2 millions) were appropriated to the legal reserve, which was raised in consequence to $\mathcal{R}M$ 48.8 millions (1927 : $\mathcal{R}M$ 43.7 millions). The Reich received $\mathcal{R}M$ 5.2 millions (1927 : $\mathcal{R}M$ 5.5 millions), which under Article 7c of the Rentenbank Liquidation Law were used for the amortisation of Rentenbank notes in circulation. There remained for the shareholders $\mathcal{R}M$ 15.1 millions (1927 : $\mathcal{R}M$ 15.3 millions), out of which a 12 per cent dividend was distributed, as in 1927, on the paid-up capital of $\mathcal{R}M$ 122,788,100, the balance of $\mathcal{R}M$ 0.3 millions (1927 : $\mathcal{R}M$ 0.6 millions) being carried to the special reserve fund for future payments of dividends. This fund was thus increased to $\mathcal{R}M$ 45.8 millions at the end of 1928 (1927 : $\mathcal{R}M$ 45.5 millions).

The Del credere fund was increased by the above-mentioned transfer to $\mathcal{R}M$ 75 millions (1927 : $\mathcal{R}M$ 65 millions). The reserve for building purposes, which amounted to $\mathcal{R}M$ 25 millions at the end of 1927, was drawn upon to the extent of $\mathcal{R}M$ 8.7 millions in 1928 (1927 : $\mathcal{R}M$ 11.3 millions). Owing to the fact, to which reference has already been made, that the costs for the printing of new bank notes during 1928 were charged against the profit and loss account, the reserve for the printing of new notes was not drawn upon in that year (1927 : $\mathcal{R}M$ 1.6 millions). By the transfers mentioned above these two reserves were raised at the end of 1928 to $\mathcal{R}M$ 35 millions each.

VII. Golddiskontbank.

In continuance of the information furnished on the Golddiskontbank in previous Reports, some particulars are here given from the monthly statements of the Bank on the development of business during the period under report.

Date	Bills and cheques	Redis- counted bills	Securi- ties	Lia- bilities at call	Time liabili- ties
	in £ 1000				
1927					
December 31	1,081.8	2,396.9	13,720.0	1,526.8	5,212.9
1928					
April 30	314.7	2,218.6	12,759.1	3,426.6	646.1
June 30	1,918.0	1,940.2	12,434.3	2,978.8	2,783.5
August 31	390.5	2,061.2	12,264.6	2,606.3	611.8
September 29	2,085.7	1,830.2	12,022.5	5,151.7	97.9
October 31	7,051.8	1,665.9	11,972.6	10,033.8	73.4
November 30	2,609.4	2,107.5	11,856.5	5,624.1	—
December 31	804.0	2,065.8	11,716.0	3,925.2	—
1929					
January 31	3,053.0	1,814.9	11,270.4	4,851.7	244.7
February 28	3,139.4	1,898.4	10,612.2	4,259.8	244.7
March 28	1,707.8	1,849.2	9,420.5	1,705.9	195.8
April 30	4,224.2	1,625.0	8,733.4	3,618.7	97.9
May 31	4,716.8	1,296.4	8,568.0	4,051.0	—
June 29	3,990.3	835.6	8,588.9	3,326.0	—

The volume of the liabilities at call and of the time liabilities varies in conjunction with the cash position of the public and semi-public departments which deposit funds with the Golddiskontbank. The funds received by the Golddiskontbank are to a large extent passed on to the private discount market.

The recourse to export credits granted by the Bank, which had already fallen in 1926 and 1927, fell still further in 1928. The total for export bills fell from £ 3,070,000 at the beginning of the year to £ 2,378,000 at the end of the year.

The following are the totals for bills purchased:

Currency	1926	1927	1928	1926	1927	1928
	Number of bills			Total in millions		
Pound Sterling	10 768	3 574	1,481	19.9	6.6	2.7
Dollar	988	121	98	18.7	2.0	1.0
Reichsmark	—	1,862	3,204	—	72.5	125.5

On December 31, 1928, Golddiskontbank bills to the value of RM 10.7 millions were held by the Reichsbank; on December 31, 1927 the Reichsbank holdings of these bills amounted to RM 17.9 millions.

No recourse was had during the period under report to the foreign commitment credit at the disposal of the Golddiskontbank or indeed to any foreign credits.

The item "securities" includes, in addition to other securities, the 3 to 5 year 7 per cent mortgage bonds of the Rentenbank-Kreditanstalt issued in 1926. The total amount of these bonds issued is \mathcal{RM} 355.7 millions; the first instalment of approximately \mathcal{RM} 115 millions matures on July 15, 1929. But various repayments have already been effected on the credits allowed from these funds, which has led to the withdrawal of bonds for a corresponding amount. As on the other hand sales of bonds have been effected to third parties, the item "securities" has fallen from its maximum figure of £ 14,250,000 on November 30, 1927 to £ 8,588,900 on June 29, 1929. According to the report of the Bank, for the financial year 1928, \mathcal{RM} 233.0 millions of mortgage bonds were in the possession of the Golddiskontbank for its own account at the end of 1928 as against \mathcal{RM} 265.3 millions at the end of 1927.

The gross profits of the Bank derived from bills, cheques, securities and other claims amounted in 1928 to £ 3,605,829 (1927: £ 2,267,624), and the paid interest and commissions to £ 2,881,469 and £ 171,017 respectively (1927: £ 1,492,865 and £ 45,500 respectively).

The net profits in 1928 amounted to £ 549,227 (1927: £ 720,701). Of this sum 5 per cent, i. e. £ 27,461 (1927: £ 36,035) was transferred to the legal reserve, as a result of which the reserve was increased to £ 133,644 at the end of 1928 (1927: £ 106,183). £ 520,000 (1927: £ 675,000) were carried to the special reserve, which was raised in consequence to £ 2,195,000 (1927: £ 1,675,000). The balance of the net profits, amounting to £ 1,766 (1927: £ 9,666) was carried forward to the next year. The Del credere fund remained unchanged at £ 290,000 in the balance sheet.

Administrative costs totalled £ 18,298 (1927: £ 22,950).

Since June 11, 1927, the discount rate has remained unchanged at 6 per cent.

VIII. Some aspects of Reichsbank policy.

Before considering the policy pursued by the Reichsbank a brief review is as usual given in the present Report of the general economic position of Germany during the period covered by it.

a. Development of the general trade situation.

As previously reported, the markedly favourable business conditions, which had been observable since the middle of 1927, began at the outset of 1928 to show a falling off in some branches. In the following months this tendency continued to make itself felt, and by the end of the year a further set-back was apparent, though in many branches it remained within narrow limits.

At first the general set-back made further progress, mainly as a result of the unusually severe and prolonged winter; but with the close of winter it came to a standstill, and has even at points given place to a movement in the opposite direction, which, even after full allowance has been made for the effect of seasonal influences, assumes the aspect of a slight improvement. In judging

this development it must be kept in mind that it took place during a period, which was characterized by various credit difficulties to be discussed below, and was further more or less under the influence of the uncertainty prevailing with regard to the course of the Paris Conference.

Month	Out- put of coal (1,000 tons)	Out- put of crude steel (1,000 tons)	Index figures of pro- duc- tion 1924/26 = 100	Build- ings com- pleted (Total of buildings)	Num- ber of trucks made avail- able by the Reichs- bahn (1,000 trucks)	Proceeds from bill stamp duty (in million reichs- marks)	Weekly wages		Un- em- ploy- ment (in 1000)	Indus- trial activity in per- cent of mem- bers of the trade unions	In- sol- ven- cies
							Skilled workers (RM)	Unskil- led workers (RM)			
1925											
March ..	11,412	1,209	111.8	—	3,012	7.5	38.68	28.93	466	93.0	776
June ..	9,891	1,109	107.1	—	2,938	7.8	41.41	30.70	195	95.4	766
Sept. ..	11,355	876	103.3	—	3,240	4.4	43.63	32.34	266	93.6	914
Dec. ..	11,367	765	104.1	—	2,784	3.3	44.88	33.27	1,499	74.6	1,660
1926											
March ..	11,424	949	92.5	—	3,154	3.2	45.20	33.59	1,942	71.8	1,871
June ..	11,756	976	93.4	1,844	3,261	2.9	45.18	33.59	1,741	76.6	913
Sept. ..	12,876	1,144	106.2	2,092	3,637	2.8	45.26	33.67	1,394	81.3	407
Dec. ..	13,775	1,303	120.3	3,291	3,623	3.3	45.51	33.92	1,749	81.4	435
1927											
March ..	14,046	1,416	123.3	2,587	3,888	3.8	46.10	34.31	1,121	87.5	557
June ..	11,820	1,328	121.0	2,308	3,709	3.7	48.31	36.18	541	93.1	427
Sept. ..	12,710	1,375	126.9	2,845	4,086	4.0	48.16	36.11	356	94.9	360
Dec. ..	13,239	1,368	126.5	4,329	3,811	4.3	48.57	36.49	1,188	86.4	619
1928											
Jan. ..	13,421	1,469	127.8	2,680	3,541	4.5	49.20	37.56	1,333	88.0	766
Febr. ..	12,926	1,322	129.2	2,258	3,584	4.0	49.33	37.66	1,238	88.8	699
March ..	14,118	1,420	128.1	2,963	4,069	4.7	49.44	37.76	1,011	90.0	791
April ..	11,715	1,159	124.6	2,264	3,439	4.1	50.19	38.39	729	92.2	614
May ..	11,932	1,249	121.5	2,550	3,727	4.3	51.52	39.40	630	92.6	692
June ..	11,833	1,296	118.8	2,951	3,844	4.4	51.62	39.50	611	92.5	702
July ..	12,483	1,314	117.5	2,631	3,917	4.3	51.62	39.51	564	92.2	655
Aug. ..	13,021	1,329	117.8	2,871	4,083	4.5	51.71	39.81	575	91.9	552
Sept. ..	12,157	1,190	117.6	3,905	4,036	4.3	51.71	39.82	577	91.9	530
Oct. ..	13,311	1,307	116.0	3,536	4,375	4.7	52.10	40.17	671	91.2	685
Nov. ..	12,140	358	95.5	3,825	3,957	4.4	52.15	40.21	1,030	88.9	674
Dec. ..	11,819	1,091	115.2	4,179	3,404	4.5	52.25	40.47	1,702	81.5	624
1929											
Jan. ..	13,490	1,470	123.5	3,037	3,376	4.6	52.34	40.50	2,246	78.7	832
Febr. ..	12,104	1,270	117.3	1,557	3,072	4.0	52.40	40.55	2,461	75.7	775
March ..	13,502	1,316	121.0	1,586	3,733	4.5	52.41	40.55	1,899	81.2	930
April ..	13,407	1,415	127.9	1,654	3,929	4.7	52.62	40.74	1,126	87.3	885
May ..	12,759	1,421	—	—	3,922	4.4	53.60	41.48	808	89.3	846

¹⁾ provisional figure

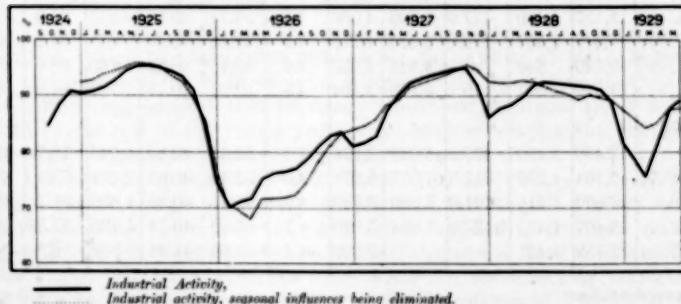
The influence of the cold spell was primarily apparent in the severe and prolonged interruptions of all outdoor activities, of water-bound traffic and of the transport of products susceptible to frost. The delays and losses thus occasioned were succeeded in a number of cases in the period immediately following the frosts by a temporary increase of activity. The mining industry received a stimulus, its pit-head stocks having been appreciably diminished by the increased consumption of fuel. But in general the stimulating effect of the frosts soon passed off.

So far as the figures on the preceding page are concerned, the effect of the frosts is most conspicuous in the unemployment figures, already high as a consequence of the general trade depression. The two-million figure had hitherto been exceeded only in the winter of 1925-26. Last year with the then favourable trade conditions the maximum was not over 1,371,100. This time the two-million figure was exceeded during two months, the highest total being reached on February 28, 1929, when 2,461,000 was recorded. In addition at this date 161,000 workers were in receipt of emergency relief, while 3,700 workers—the low figure is accounted for by the impossibility of outdoor work—were being employed on productive labour out of unemployment relief funds ("emergency workers").

In considering these figures it must not be forgotten that on October 1, 1927, a system of unemployment insurance for the whole of the Reich covering the great majority of workers in private employ became legally operative. It is common knowledge that of all the forms of social insurance the unemployment insurance encounters by far the greatest difficulties in application, and these difficulties are especially conspicuous when the volume of unemployment tends to be above the normal level as a result of business depression or other circumstances. One of the most difficult branches of the unemployment insurance, namely the occupational unemployment relief, was settled separately already in December 1928. Moreover the Government has under consideration a revision of the existing system in the course of the present year with a view to meeting further evils which have arisen.

According to the latest figures (June 15, 1929) the number of unemployed has fallen to 746,000.

Diagram V.
Industrial activity in per cent of members of the trade unions.



There is no series of figures which can be regarded as representative of the general tendency of the development of the trade situation. The most illuminating remain the figures with regard to the degree of industrial activity, which are set out in Diagram V. They include the wholly unemployed as well as the short-time workers, but are confined to members of the trade unions only.

It is difficult to eliminate seasonal influences without affecting the general character of the statistics. A fact is, however, that the dotted line in the Diagram, which is based on figures calculated by the Institut für Konjunkturforschung omitting the workers in the purely seasonal occupations and in the foodstuffs and catering trades shows the same general trend.

It is satisfactory to note that the provision of railway trucks by the Reichsbahn in April and May was greater than in the previous year. The reduction of traffic during the frosts was already mainly made up in March.

For the figures of payments reference is made to the table on page 18. The figures, in which of course the influence of the winter is much less apparent, are on a continuously higher level than in the previous year.

Special interest attaches to the index numbers of production prepared by the Institut für Konjunkturforschung on the basis of 1924-26 = 100. In two months the index number rose over 10 points, and in April, 1929, (when it was 127.9) it attained the same level as at the beginning of 1928.

The liquidity of business has naturally been powerfully affected by the credit difficulties of the last few months. These difficulties have found expression mainly in the high rates for accommodation. It would be normal to expect an increased tendency to the disposal of stocks as a consequence and it seems that such a tendency has appeared especially as to several bulk articles. The phenomenon, however, has not exceeded certain limits.

There has been no considerable change in the volume of bills drawn, as shown by the returns of the Bill Stamp Duty. The total still remains at the high level reached in the second half of last year. The number of protested bills on the other hand shows a not inconsiderable increase. Whereas the daily average of recorded bill protests in 1928 was 282, the figure has been steadily rising since January, 1929, and in April was 372. The amounts involved also show an increase.

The number of insolvencies is higher than last year. The monthly average since January, 1929, was 854 against an average of 712 during the same period of 1928. In recent months the number has not further increased.

In spite of the changes in the general position of business the wage figures both for skilled and unskilled workers have maintained a continuous, if slow, increase. The changed conditions and factors in the formation of the wage level tend to make wages to a greater extent than before the war immune from the consequences of economic depressions, provided the latter are not too long continued, and of even considerable, if temporary, increases of

unemployment. The phenomenon is one which is common to many countries; but it is less usual for wages in such periods to increase further.

As regards the position in individual branches of industry, mining has again maintained its increased production, and the same is true of the iron and steel industry, which has had its full share in the general improvement in this field. In the chemical industry the satisfactory production of recent months has continued to rise. The equally satisfactory conditions of the electro-technical industry on the other hand have not been fully maintained. Unfavourable reports are coming in from important branches of the textile and of the iron and steel manufacturing industries; the machinery industry, however, is improving lately.

In several parts of the Reich the situation of agriculture remains difficult. The satisfactory harvest results of 1928 did something to improve the situation, and at any rate prevented further decline. The credit position is still difficult, but has lost something of its acute character; and further progress has been made with the consolidation of short-term agricultural credits. The prospects of the new harvest are better than was at first anticipated after the severe winter.

The recent marked decline in the prices of cereals has brought up once more the question of Government assistance.

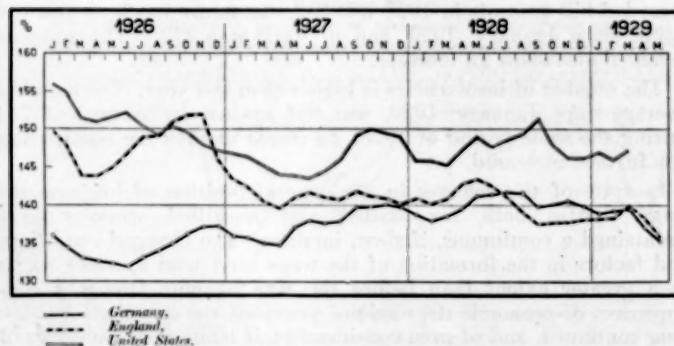
b. Movement of prices.

Diagram VI and Annex E show the indices of the wholesale trade prices in Germany (Statistical Office of the Reich), Great Britain (Board of Trade) and the United States (Bureau of Labor Statistics). The year 1913 has been taken as the basis of the three curves. In appreciating these index numbers it should always be borne in mind that the curves and the figures are comparable in respect of their trend rather than of their actual amounts.

Diagram VI.

Index numbers of wholesale prices for Germany,
England and the United States.

(1913 = 100)



The trend of the curves shows in the case of the English and German index numbers, especially in the period just elapsed, a rather marked parallelism. The set-back in recent months is to be attributed mainly to the considerable fall in the world prices of grain: in the case of Germany internal causes have also been operative.

Diagram VII.
Index numbers of German wholesale prices.
(1913 = 100)

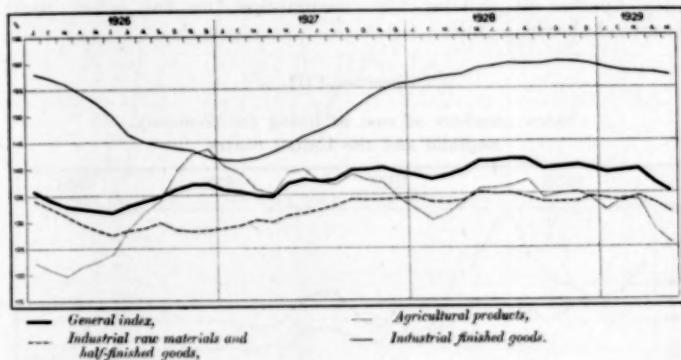


Diagram VII and Annex F give detailed information as to the price movement in Germany. The markedly small changes in the index numbers of finished industrial products as well as of industrial raw materials and partly manufactured articles are primarily the reflection of the far-reaching tendency towards industrial cartels in Germany. Another element which makes against fluctuation is the fact that variations in some components of the indices cancel out with movements of other components tending in the opposite direction, and are accordingly not reflected, or only to a slight extent, in the aggregate index numbers. This is particularly true of the agricultural figures.

The index number for industrial raw materials and partly manufactured products remained approximately stationary until quite recently, when it began to sink. In general it may be said that prices which are regulated by the combines have shown a slight upward tendency, whereas the so-called free prices have almost invariably declined. As against the big rise, which set in at the beginning of 1929 in the market for metals (especially copper), there is the fall in the prices of hides, leather and textiles. The downward trend of the last few months has been intensified by the reversed tendency of the copper market at the end of March last.

In the sharp set-back, which is to be noted in the period just elapsed in the index number of agricultural materials, we have the reflection primarily of the fall in grain prices.

The index number of industrial finished products after rising almost uninterruptedly from January, 1927, attained its highest point in October, 1928, (160.0). In November, it remained at approximately the same level, but has since been gradually falling. The increase came to a standstill first in the case of articles of consumption, which showed a slight reduction in August and September, 1928, whereas the prices of means of production continued to increase until October, 1928, when they also began to fall. In April and May, 1929, however, this downward movement came to a halt as a result of the rise in prices on the metal market, and even made way for a slight increase. The index number of articles for consumption on the other hand continued slowly to fall.

Diagram VIII.
Index numbers of cost of living for Germany,
England and the United States.

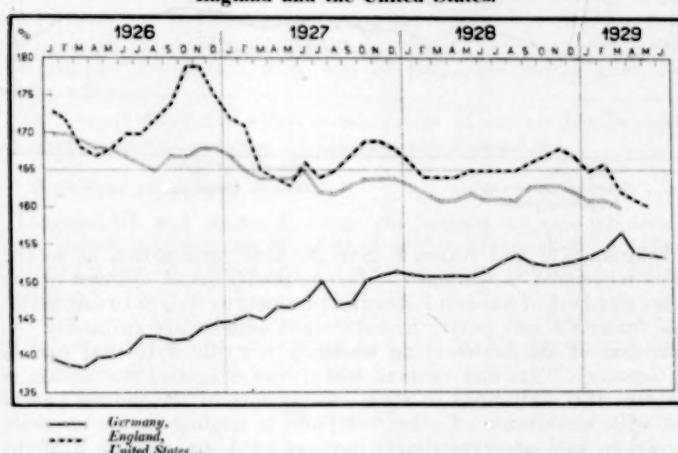
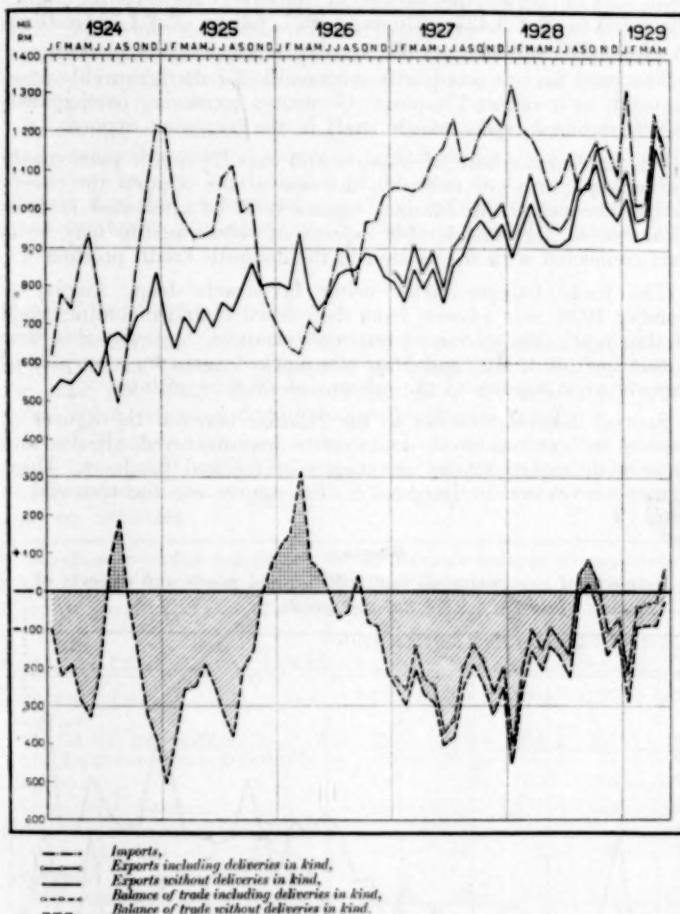


Diagram VIII and Annex G give the development of the indices of the cost of living in Germany, Great Britain and the United States. During the period under report all three show only slight fluctuations. The German index, which fell somewhat during the last quarter of 1928, rose again during the first quarter of 1929 to 156.5 in March, the highest figure since 1924. The figure fell to 153.6 in April and further to 153.4 in June in conjunction with the reduction in the cost of foodstuffs, but it is nevertheless still considerably higher than those of the corresponding months of the previous years (June 1925: 138.3; 1926: 140.5; 1927: 147.7; 1928: 151.4).

c. Balance of Trade.

Diagramm IX and Annex H show the development of import and export figures together with the balance of imports and exports since the beginning of 1924.

Diagram IX.
Germany's imports and exports.



The Diagram is based on figures supplied by the Statistical Office of the Reich.

These figures, in so far as they concern the period before October 1, 1928, have been corrected in accordance with the method indicated in the last Report.

The figures for October and November 1928 have also been corrected in connection with the introduction of the new law concerning the statistics of the goods trade traffic.

The corrected export figures, which, including deliveries in kind on reparations account, amounted to $\mathcal{R}M 12,299$ millions in 1928, show a rise of $\mathcal{R}M 1,498$ millions as compared with

1927 (or approximately 14 per cent), whilst imports totalled $\mathcal{R}M$ 13,995 millions or $\mathcal{R}M$ 233 millions (1.6 per cent) less than in 1927. As a result the excess of imports over exports, which amounted to $\mathcal{R}M$ 3,427 millions in 1927, fell by $\mathcal{R}M$ 1,731 millions to $\mathcal{R}M$ 1,696 millions in 1928.

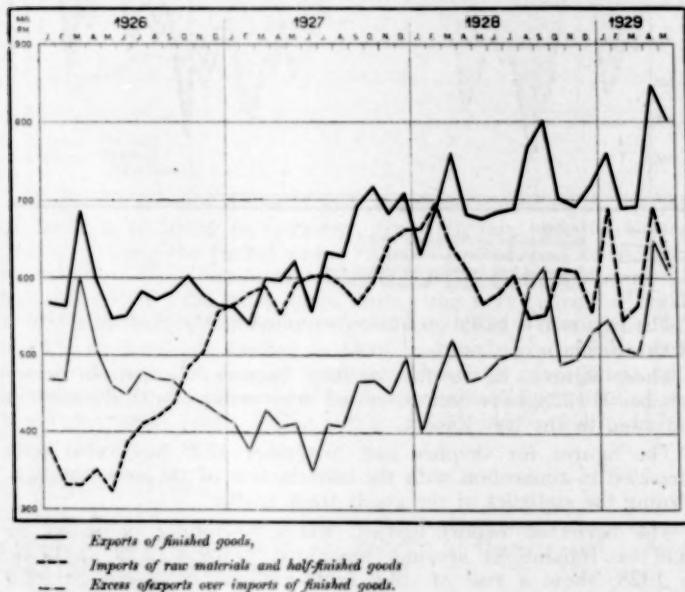
The good harvest was partly responsible for the favourable development, as it reduced imports; Germany's increasing participation in international trade reveals itself in the increased exports.

The movements both of imports and exports reflect particularly the tedious period of frost. In the case of the imports the exceptional increase of the January figures is to be attributed to technical causes: the considerable exports of recent months may be in part connected with the tension in the domestic credit position.

The trade balance, after being favourable from August to October 1928, was adverse from then down to and including April of this year. The excess of imports remained, however, this time within narrow limits, and May was marked again by a surplus of exports over imports to the amount of $\mathcal{R}M$ 54 millions.

Special interest attaches to the relation between the figures of imports of raw materials and partly manufactured articles and those with regard to the movements of finished products. These figures are shown in Diagram X: the figures are incorporated in Annex I.

Diagram X.
Imports of raw materials and half-finished goods and exports of finished goods.



The development of these exports may generally speaking be said to be entirely satisfactory. Not only do they show a clear tendency to rise, although accompanied by fluctuations—there was an increase in 1928 of approximately $\mathcal{R}\mathcal{M}$ 1 milliard as compared with 1927—but they also surpass gradually the imports of raw materials and half-finished goods. As regards the latter it must be borne in mind that 1927 was preceded by a year of very restricted imports.

A further favourable sign is the fact that imports of finished goods generally show a tendency to fall so that the curve of the surplus of exports over imports of finished goods rises even more quickly than that of the total exports of finished goods. Improving trade conditions abroad count for much in this satisfactory development.

d. Balance of payments.

The Statistical Office of the Reich has published provisional figures on the German balance of payments for 1928, and has at the same time made various amendments to the figures of former years which, however, do not change the general picture.

The following summary is based on these figures, but it must again be pointed out that, in spite of the greatest care, attempts to calculate balances of payments are naturally based for the greater part on estimates.

Surpluses (+) and deficits (—) of the German balance of payments from 1924 to 1928 (in millions of reichsmarks)					
	1924	1925	1926	1927	1928
Trade	— 1,811	— 2,439	— 797	— 2,987	— 1,272
Services:					
a) On the open market	+ 175	+ 215	+ 233	+ 297	+ 294
b) Reparation services in Germany	+ 83	+ 162	+ 93	+ 77	+ 69
Interest	+ 100	— 110	— 300	— 495	— 735
Reparation Payments	— 281	— 1,057	— 1,191	— 1,584	— 2,000
Transfers of capital by immigrants and emigrants	— 65	— 85	— 75	— 70	— 70
Movement of gold and foreign exchange at the banks of issue	— 1,255	— 90	— 568	+ 452	— 931
Movement of foreign investments in Germany	+ 1,000	+ 1,124	+ 1,376	+ 1,613	+ 3,559
Movement of German investments abroad	+ 1,000	+ 200	—	+ 73	— 1,846
Short-term capital transactions	+ 506	+ 118	+ 137	+ 1,904	+ 1,588
Capital transactions not otherwise classifiable (calculated as balance)	+ 548	+ 1,962	— 502	+ 720	+ 1,344

The figures for the trade balance were obtained as follows. The figures of the commercial statistics already given in another section have been corrected where necessary according to the procedure already explained; in the case of imports, the imports of precious metals on the open market totalling $\mathcal{R}\mathcal{M}$ 72 millions in 1928 have been added, whilst in the case of exports the addition is $\mathcal{R}\mathcal{M}$ 658 millions for reparation deliveries in kind in 1928.

Services on the open market comprise shipping, transit, postal traffic, insurance transactions, wages of foreign labour, deliveries of electric power, film permits, official German representatives abroad, official foreign representatives in Germany and payments to the International Steel Cartel. The two first items are by far the most important.

The balance of the item Interest is the difference between interest paid to the amount of $\text{RM} 1,055$ millions and interest received to the amount of $\text{RM} 328$ millions.

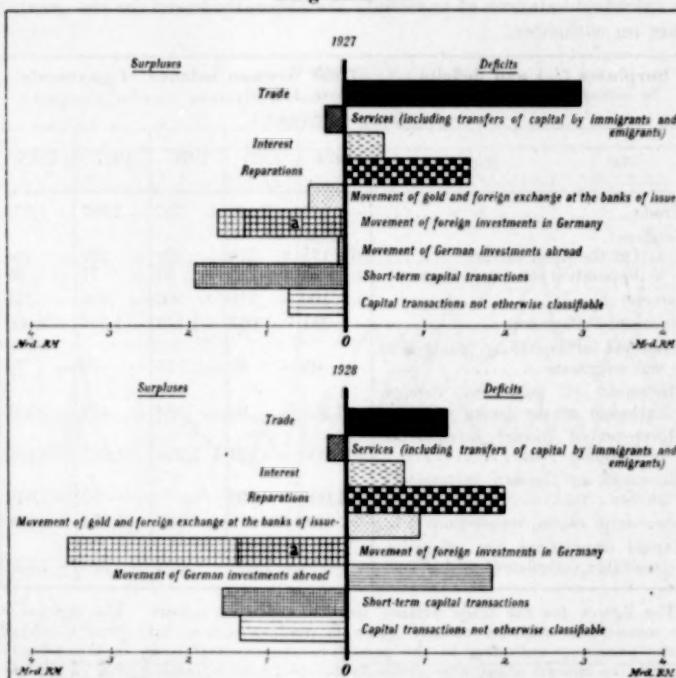
Reparation Payments are entered on the liabilities side of the balance of payments as $\text{RM} 2,000$ millions for 1928; on the assets side there are the following items (in millions of reichsmarks):
Deliveries in kind

1. contained in trade exports	658
2. difference between deliveries in kind passed to account and executed	111
	769

Cash transfers contained in the movement of foreign exchange (including payments under the Reparation Recovery Acts, the cost of commissions abroad and the service of the German external loan 1924)	1,100
Reparation Services in Germany (costs of the armies of occupation and part of the costs for commissions)	69
Movement of the cash balances of the Agent general (entered under "short-term capital transactions")	62
	2,000

The fluctuations in the figures of the balance of payments for 1927 and 1928 are to be seen still more clearly in the following diagram.

Diagramm XI.



a German bonds publicly issued abroad

The total adverse balance of the balance of trade—services, interest and reparation payments taken together—amounts to $\mathcal{R}M$ 3,714 millions, that is to say roughly 1 milliard less than in 1927 ($\mathcal{R}M$ 4,735 millions).

Whereas in 1928 the holdings of gold and foreign exchange of the German banks of issue increased by $\mathcal{R}M$ 931 millions as compared with a fall of $\mathcal{R}M$ 452 millions in 1927, the capital indebtedness of Germany increased by a greater figure in 1928, viz. $\mathcal{R}M$ 4,645 millions, than in 1927 when the increase was $\mathcal{R}M$ 4,310 millions.

The appreciable changes in the movement of capital during the two years in question will be discussed in detail in the following paragraph.

e. Capital transactions with foreign countries.

It is long since the list of German issues abroad represented the sum total of German long-term capital transactions with foreign countries.

Securities (shares or bonds) issued in Germany are finding their way more and more to foreign countries and increased sales to investment trusts are reported.

In some cases German shares are already listed on foreign stock exchanges, and purchases of packets of shares, effected for the purpose of obtaining an interest in German enterprise, are no longer rare.

Of the bonds, the Pfandbriefe of the mortgage banks are particularly sold abroad. A recent feature is the putting-up for subscription in foreign countries of blocks of German internal loans or the conversion of German loans into foreign loans through the medium of German or foreign banks.

On the other hand there is also a very appreciable influx of securities into Germany, which is by no means restricted to the repurchase of German bonds issued abroad. This increasing interlocking of the German and foreign capital markets may possibly have rendered the movement of quotations on the German bourses more sensitive to foreign influences; but on the other hand it offers a great advantage in that arbitration of securities is gradually reassuming its proper place.

It has not hitherto been possible to form an idea of the extent of these transactions, owing to the lack of detailed information. The Statistical Office of the Reich has now attempted with the co-operation of a number of banks to collect data for the years 1927 and 1928. The figures have been used in the balance of payments given on page 33 and in Diagram XI on page 34. The Statistical Office of the Reich is well aware of the incompleteness of these data, which is partly responsible for the big figure of the last item in the balance of payments, viz. "capital transactions not otherwise classifiable" which appears for as much as $\mathcal{R}M$ 1,344 millions in 1928.

The figures show that, of a net amount of *R.M.* 3,559 millions of investments of foreign funds in Germany during 1928, *R.M.* 2,276 millions refer to foreign purchases of German securities, whereas only an amount of *R.M.* 1,350 millions (a figure which has scarcely changed during the last four years) represents German loans publicly offered for subscription abroad.

On the other hand German purchases of securities abroad are entered for *R.M.* 1,846 millions.

These figures, apart from showing the increase and extent of the connection between the German capital market and the various foreign markets, also show that, in spite of the passivity of the German position, the connection has largely become mutual.

The amount of Germany's total long-term indebtedness to foreign countries at the end of 1928 is estimated at round about *R.M.* 5.5 millions.

The Statistical Office of the Reich has published recently figures for issues taken up abroad. These figures differ somewhat from those contained in earlier Reports, which were based mainly on data collected by the Reichsbank. Some complementary figures in the table below have still been taken from Reichsbank data. It must be remembered that the figures represent exclusively the nominal amounts of the loans. As nearly all loans were issued below par—for the years 1924-1928 the average issue price has been estimated at about 90 %—the amounts actually received by the German economy were very much smaller. Reimbursements, amortisations and repurchases have not been considered.

Long-term German loans abroad (Nominal amounts in millions of reichsmarks)					
Year	Corporations of public law	Public Undertakings	Mortgage banks	Other Undertakings	Total
1924	960.0	—	—	42.0	1,002.0
1925	379.5	259.5	120.1	506.4	1,265.5
1926	327.1	333.7	194.9	724.4	1,580.0
1927	268.8	63.0	515.3	564.6	1,411.7
1928	165.9	418.7	473.7	405.9	1,464.2
1929 (first five months)	16.8	117.9	5.0	96.0	235.7

The above loans are distributed over the individual countries as follows : (in millions of Reichsmarks) :

Year	Total	United States of America	Holland	Great Britain	Switzer- land	Sweden	Other countries
1924	1,002.0	512.4	51.3	250.5	56.6	28.2	103.1
1925	1,265.5	923.0	142.1	122.2	67.9	10.3	—
1926	1,580.0	1,107.9	189.5	142.0	66.2	43.4	31.1
1927	1,411.7	890.4	262.4	152.8	52.0	51.9	2.3
1928	1,464.2	1,017.1	201.7	135.2	57.6	11.8	40.8
1st quarter 1929	230.5	138.9	38.6	10.5	39.3	3.2	—
Total	6,953.9	4,589.7	885.6	813.2	339.6	148.8	177.3

The following figures reveal the trend and in particular the fall of foreign issues during 1928.

Period	Long-term German Loans abroad					Total
	Corporations of Public Law standing	Public Undertakings	Land Credit Institutions	Other Undertakings ¹		
Monthly averages						
3rd quarter 1927	36.2	24.4	75.8	86.8	223.2	
4th quarter 1927	43.2	—	84.0	61.4	188.6	
1st quarter 1928	0.7	36.1	46.5	30.8	114.1	
2nd quarter 1928	31.6	54.8	102.7	56.0	245.1	
3rd quarter 1928	7.8	26.0	2.7	1.5	38.0	
Monthly figures						
1928						
October	—	10.5	7.5	15.6	33.6	
November	39.6	24.5	—	103.9	168.0	
December	6.1	33.0	10.5	21.8	71.4	
1929						
January	16.8	9.7	—	0.5	27.0	
February	—	108.2	5.0	42.2	155.4	
March	—	—	—	48.2	48.2	
April	—	—	—	1.1	1.1	
May	—	—	—	4.0	4.0	

¹ Including religious bodies.

This falling-off is in the first instance due to the changes which have taken place on the capital markets of the lender countries. In the United States the issuing of foreign loans has for some time been much more difficult, and conditions on the New York securities market have also made themselves felt in other countries. Another important element was the uncertainty as to the result of the Paris Conference. Since the Conference was brought to a finish, negotiations have once more been opened in respect of various foreign loans. The commitment credit for one year recently granted to the Reich with the help of American bankers for an amount of \$ 50 millions is proof of the renewed willingness of foreign countries to negotiate.

As was to be expected, the net interest charge on the new issues has risen simultaneously with the increased international interest rate. The actual interest to be paid by the borrower which was calculated on an average at 6.54 per cent for the 1927 issues, rose in 1928 to 6.81 per cent and to 6.93 per cent for the first quarter of 1929.

The extent of Germany's long-term foreign indebtedness—after deduction of amortisations and reimbursements—may be gathered from the following figures compiled from the calculations published

by the Statistical Office of the Reich as at March 31, 1928. Later figures are not available.

	(In millions of reichsmarks)	Per cent
Loans of Federal States	379.1	
" Associations of Communes	8.7	
" Communes	502.8	
" Hanseatic Cities	142.8	
Territorial bodies, total	1,033.4	20.07
Loans of ecclesiastical bodies	91.6	
" public undertakings	762.8	
" unions of borough, town, or parish councils	32.2	
Participations of public undertakings, and unions of borough, town, or parish councils in collective communal loans	12.7	
Communal bonds	15.0	
Other public borrowers, total	914.2	17.75
Loans of mortgage banks	719.3	13.97
" other private undertakings ..	1,596.2	30.99
Total	4,263.1	82.78
German External Loan 1924	886.9	17.22
Total of long-term foreign indebtedness	5,150.0	100.00

The above figures show that the Reich, Federal States and other local bodies took up foreign loans to the extent of 37.29 per cent. A further 17.75 per cent was taken up by other borrowers who are to be regarded as "public authorities", either because of the sources of their capital or their legal standing. Only 44.96 per cent of the loans taken up falls to private enterprise. The Statistical Office of the Reich gives the following table showing the manner in which the above mentioned loans were utilised. The German External Loan 1924 is left out of account because its proceeds went to the payment of reparations.

Branch of enterprise	Loans taken up by:				
	Local bodies	Other public borrowers	Mortgage banks	Private undertakings	Total
(In millions of reichsmarks)					
Electricity, gas and water supply	507.2	636.9	—	35.6	1,209.6
Transport	291.0	69.3	—	—	360.4
Agriculture	90.4	—	546.5	—	636.9
Housing	15.4	—	75.2	6.1	96.7
Mines	17.7	—	—	341.2	358.9
Miscellaneous	111.8	178.0	97.6	1,213.2	1,600.6
Total	1,033.5	914.2	719.3	1,596.2	4,263.1

According to figures compiled by the Statistical Office of the Reich, reproduced on page 53, the proportion of foreign money in the total of long-term credits granted in Germany has fallen uninterruptedly since 1925. At the end of 1925 the percentage was 23.8 per cent, per April 30, 1929, 18.7 per cent.

Short-term capital transactions with foreign countries, which are for the greater part effected through the banks, are in their very nature much more fluid than long-term transactions. Appreciable shifting of funds is therefore easily possible, and this has actually been the case during the past months.

According to information received by the Statistical Office of the Reich, the increase in Germany's short-term indebtedness would appear to have amounted to $\mathcal{R}M$ 1,904 millions in 1927 and $\mathcal{R}M$ 1,588 millions in 1928. These figures only cover German banks and insurance companies. In its most recent Report the Reichsbank estimated the total short-term indebtedness of the German banks at $\mathcal{R}M$ 6 milliards at the end of 1928. The Reichsbank bases this estimate on information received regularly from the banks drawing up interim balance sheets stating the position at the end of each quarter of the year. This 6 milliard foreign exchange debt of the banks is offset by a very appreciable amount of assets abroad. The extent of the direct short-term indebtedness of industry and trade cannot be estimated, but this figure is certainly much smaller than that of the banks. The Institut für Konjunkturforschung gives $\mathcal{R}M$ 7 milliards as the total amount of short-term indebtedness of Germany.

The appreciable change in the nationality of Germany's short-term lenders during 1928 as a result of the changes on the New York money market was mentioned in the last Report.

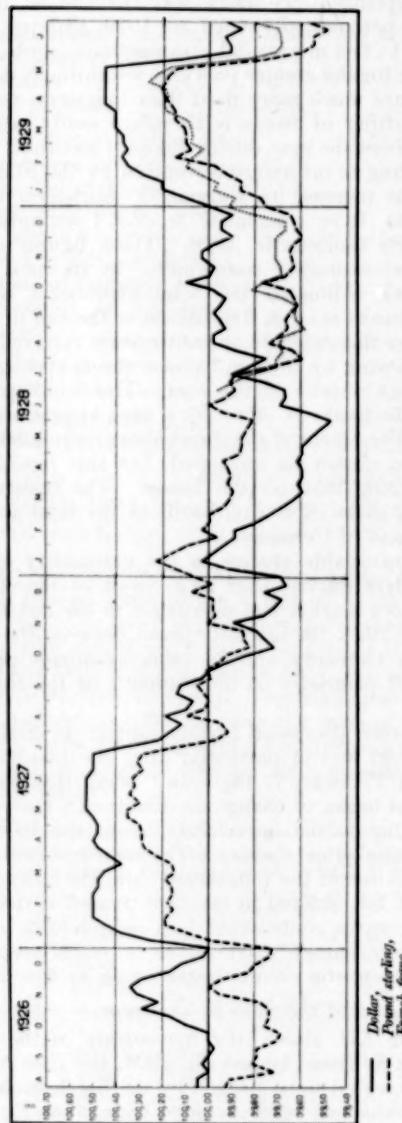
During 1928, the interest spread between the rate for short-term money in Germany and in other countries gradually decreased, as a result primarily of the tendency of the foreign interest levels to rise.

The spread decreased further during the first few months of the current year and in particular after the London discount rate was raised on February 7, the result being that the stream of short-term loans began to change its direction, a movement which became acute owing to the uncertainty about the Paris negotiations and other psychological factors. The influence exercised by this reflux on the position of the Reichsbank, and the measures which the Bank thereupon felt obliged to take are treated in detail under section *j*. These measures contributed to a considerable rise of the rates on the German money markets; as a result important amounts of foreign short-term credits began again to flow into Germany.

f. Movements of the rates of exchange.

Diagram XII shows the movements of the pound sterling and the dollar as from August 23, 1926, the date on which the dollar exchange ceased to be pegged by the Reichsbank at $\mathcal{R}M$ 4.20. The French franc has been included from June 25, 1928, the date on which it was stabilised. The rates are expressed in percentages of parity and can therefore be compared one with another. The figures are given in the annex J.

Diagram XII.
Foreign exchange rates in Berlin.
(weekly averages in percentages of parity)



The diagram shows the remarkable and irregular course of the rates of exchange since the beginning of 1929. It differs very greatly from the curve of the whole of last year, when with a few exceptions the dollar, pound sterling and French franc remained steadily under par as compared with the reichsmark and when—during the last six months—the pound sterling and the French franc repeatedly moved near to the gold import point.

The above mentioned three foreign currencies began to rise towards the end of last year. This upward movement continued during the opening months of 1929 with the result that the reichsmark very soon found itself in an unfavourable position and in relation to the dollar even reached the gold export point. On April 27, and 29, the dollar was quoted as high as 4.218. The position changed, however, completely in the middle of May when a heavy fall in the rates of exchanges began; the reichsmark regained its strong position and in the second half of June the pound was repeatedly quoted below the gold import point.

These abrupt fluctuations were not restricted to the three leading foreign currencies: they were also to be found in the quotations of nearly all the other currencies and merely represent the effect on the exchange market of the acute events in the domestic credit situation.

As a result of these events it was frequently the case, particularly at the end of April, that "street" rates were quoted after the official Stock Exchange hours, which were higher than the official quotations. As, however, the demand for foreign exchange continued to be entirely satisfied at the official rates on the next Stock Exchange day owing to the intervention of the Reichsbank, these unofficial rates were only transient phenomena. A particularly high premium was at times paid for foreign bank notes, especially for dollar notes, of which there was only a limited number in Germany, calculated to meet normal requirements.

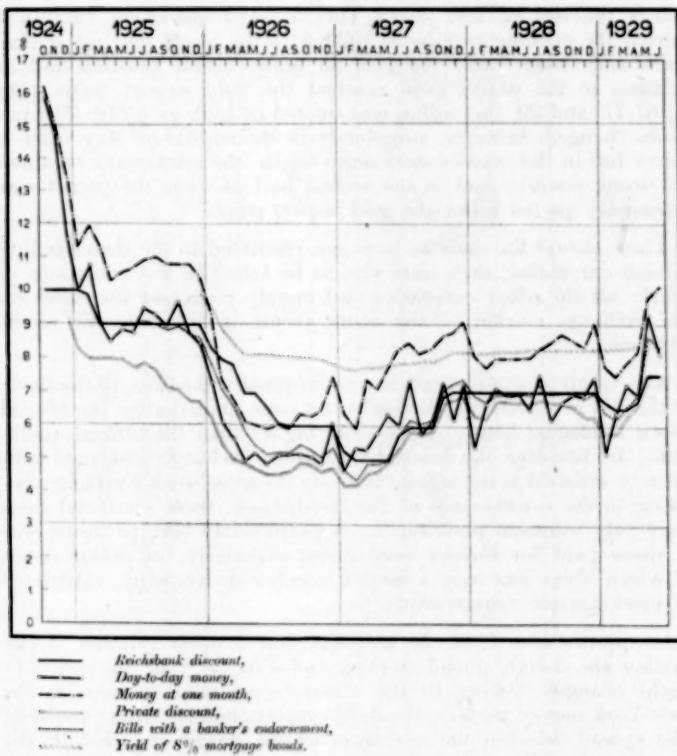
It appears also from the diagram that in their relation to one another the dollar, pound sterling and French franc showed only slight changes. Owing to the almost continuous tension on the New York money market, the dollar maintained its strong position. The spread between the quotation of the dollar and that of the pound sterling was only reduced temporarily by the rise in the discount rate of the Bank of England on February 7. The French franc was listed higher than the pound sterling from the end of September, 1928, to the middle of February, 1929. Subsequently their mutual relation frequently varied. Since the end of April, the franc has again been listed somewhat higher than the pound sterling.

g. Money market.

The year 1928 was marked by great stability in the various rates of the money market. The relaxation at the beginning of the year and the tightening of money in the last days of December are

normal phenomena. Certain fluctuations, which occurred in the course of the year, have been discussed in the last Report.

Diagram XIII.
Money rates in Berlin.
(monthly averages)



The current year shows an altogether different picture. Especially on the money market the tension of recent months had its fullest effect with the result that for some weeks rates were quoted which had not been heard of since the beginning of 1924.

At the outset it looked as though the year would show a further easing of the position. The relief at the beginning of January was greater than a year before. The reasons were of a domestic nature, namely the continued recession in the general business situation (confined though it was within certain limits), the seasonal influences, and the standstill on the Stock Exchange. On January 11, accordingly the Reichsbank discount rate was lowered

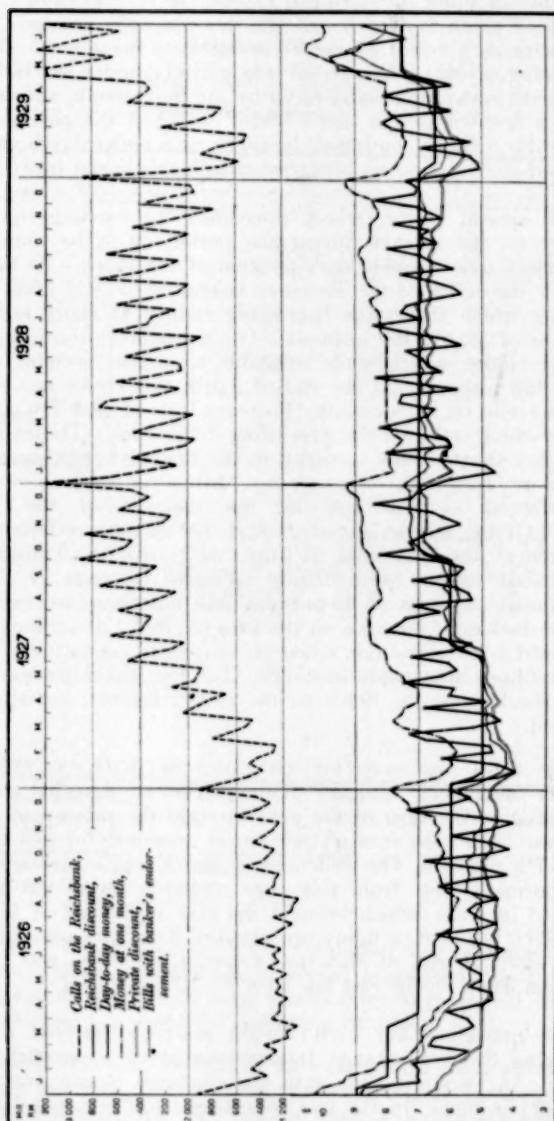
Meanwhile an efflux of short term money attracted by the high rates of interest in New York had begun. As a result, and in consequence of other international causes, the several rates for money increased again in March and the increase soon assumed an acute character as a result of the events already mentioned. From the beginning of May, the market was entirely under the influence of the credit restrictions introduced by the Reichsbank, and it was not until a few weeks ago that a slight easing of the position became noticeable. Rates continued, however, at a noticeably high level in spite of the restrictions being practically abolished in June.

One special factor, which intensified the existing tightness of money on the market during the period, is to be found in the extremely unfavourable cash position of the Reich. At the end of March, the deficit of the Treasury amounted to $\text{RM}\ 1,635$ millions, against which there was borrowing mainly at short term to the amount of $\text{RM}\ 1,460$ millions. For the balance recourse was had to the banks, which made available a current account credit of $\text{RM}\ 150$ millions. At the end of April, this credit was converted into a credit on three-months Treasury bills of $\text{RM}\ 170$ millions on terms which reflected the prevailing difficulties. The extension of the other short credits accorded to the Reich was also accompanied on more than one occasion by difficulties, which were even experienced in the case of the renewal of the Treasury bills. Of the internal loan of $\text{RM}\ 300$ millions offered for subscription at the beginning of June, only $\text{RM}\ 183.0$ millions were subscribed, as has been already indicated on page 21. The first instalment payment of 40 per cent was not therefore sufficient to repay the banks' advance on the loan of $\text{RM}\ 120$ millions. It was not until a few days ago, when the American commitment credit of \$50 millions was made available, that the direct pressure of the cash shortage of the Reich on the money market was appreciably relaxed.

The rates for month-to-month money reflect very clearly the general tendency of the market as indicated above. The stiffening at the turn of the year brought the rate up to $8\frac{3}{4}—9\frac{1}{2}$ per cent. After the turn of the year it remained for two months at $6\frac{3}{4}—7\frac{1}{2}$ per cent. The stiffening in March was not at first beyond the normal. But from this time onwards there was a further marked increase, which brought the rate at the end of May up to $10—11\frac{1}{2}$ per cent, a figure not attained for years past. It was not until after the end of May that a certain revulsion was apparent; as from June 10, the rate has been $9—10\frac{1}{2}$ per cent.

The quotations for contango money devoted mainly to financing Stock Exchange transactions show a parallel development. In December, the rate for contango money was fixed at $8\frac{1}{2}—9$ per cent. In the two following months it was $7\frac{1}{2}—8$ per cent. In March it was increased by $\frac{1}{4}$ per cent, and in April by $\frac{1}{2}$ per cent. At the end of May $10—10\frac{1}{2}$ per cent was being quoted and at the end of June $9\frac{1}{2}—10$ per cent.

Diagram XIV.
Money rates in Berlin (weekly averages) and calls on the Reichsbank.



For day-to-day money the November 1928 settlement was easier than the corresponding settlement in 1927: the end-of-the-year settlement was equally normal: while that at the end of January was easier than in the previous year. One of the first symptoms of the general tightening of the money market which was about to set in was the stiffening of the day-to-day rate in the middle of February, following on the increase in the London discount rate on February 7. The end-of-the-month (when $8\frac{3}{4}$ — $10\frac{1}{2}$ per cent was quoted) was also somewhat more difficult. March was once more on the whole normal. The usual relaxation after the end of the quarter was not, however, observed. The rates of the middle of April were higher than usual ($8\frac{3}{4}$ — $9\frac{1}{4}$ per cent), and after a short interval of relief due mainly to technical reasons the end-of-the-month was again more difficult ($8\frac{3}{4}$ — $9\frac{1}{4}$ per cent being quoted). In May not only was there no relief, but rates continued to rise up to as much as 10—12 per cent on May 15. The end of May rates were somewhat lower and the tension was further relaxed in June. At the end of June the rates were again as high as at the end of May.

The private discount market followed the general course until May 1929. During November and December 1928 quotations were stable ($6\frac{1}{4}$ per cent); but in January they fell again to $5\frac{1}{2}$ per cent, rose from the middle of February, and at the end of March were level with the Reichsbank discount rate of $6\frac{1}{2}$ per cent. When the latter rate was raised, the private discount rate soon followed and was quoted at $7\frac{1}{2}$ per cent from May 3, onwards. Since then there has been no further change. The Reichsbank, which continues to be the biggest dealer in the private discount market, has temporarily restricted its purchases of bankers' bills in connection with its general policy of credit restriction.

The rate for trade bills with banker's endorsements is in general just above the private discount rate. At the beginning of the period covered by the Report the margin between the two was somewhat larger (up to one-half per cent). In May, when the amount of such paper in circulation was even below the usual low figure, margins of $1\frac{1}{2}$ per cent were to be observed. In June the rate for these trade bills decreased from 9 to 8 per cent.

h. Credit situation of the banks.

The following table, which contains some important figures taken from the interim and annual balance sheets of the principal Berlin banks submitting regular reports, gives an idea of the development of the latter during the period under report. Some figures from previous years are also included for comparison.

Date	Principal Berlin banks ¹						
	Cash in hand and balances with issue and clearing banks	Credit balances with banks and banking houses	Cheques, bills and non-interest bearing Treasury bills	Contangoes and loans against Stock Exchange securities	Advances on signed or bonded goods	Loans and advances on current account	Deposits
(in millions of reichsmarks)							
December 31, 1913	360	326	1,776	760	510	2,949	4,852
January 1, 1924 . .	106	459	37	17	74	518	1,058
December 31, 1924	195	629	860	42	261	1,478	3,187
June 30, 1925 . .	167	609	1,095	69	344	2,252	4,127
December 31, 1925	249	642	1,249	122	443	2,301	4,514
June 30, 1926 . .	145	703	1,397	312	351	2,413	4,857
December 31, 1926	262	786	1,556	718	457	2,849	5,960
June 30, 1927 . .	217	843	1,373	587	554	3,519	6,409
December 31, 1927	327	1,034	1,858	531	776	3,796	7,493
June 30, 1928 . .	227	930	2,081	668	949	4,160	8,201
August 31, 1928 . .	180	944	2,016	630	1,023	4,338	8,293
September 29, 1928	223	1,013	2,189	649	1,052	4,366	8,636
October 31, 1928	210	1,016	2,332	631	1,146	4,431	8,923
November 30, 1928	211	1,059	2,399	648	1,249	4,464	9,177
December 31, 1928	380	1,200	2,527	665	1,399	4,376	9,670
February 28, 1929.	206	1,106	2,709	617	1,419	4,574	9,784
March 31, 1929 . .	218	1,157	2,490	611	1,444	4,695	9,779
April 30, 1929 . .	216	1,109	2,228	593	1,413	4,694	9,417
May 31, 1929.	216	1,060	2,015	601	1,408	4,599	9,034

¹ Commerz- und Privatbank, Darmstädter und Nationalbank, Deutsche Bank, Dresdner Bank and Direktion der Disconto-Gesellschaft; during the period under report the Mitteldeutsche Creditbank was taken over by the Commerz- und Privatbank, thus reducing the number of the principal banks by 1.

The almost uninterrupted increase which may be observed since 1924 continued during the year 1928, as shown by the following table.

Date	Movements in the deposits and total credits accorded by the principal Berlin banks	
	(in millions of reichsmarks)	Increase (+) or decrease (-) in
	Deposits	Credits accorded
1924	+ 2,129	+ 1,995
1925	+ 1,327	+ 1,474
1926	+ 1,446	+ 1,465
1927	+ 1,533	+ 1,381
1928	+ 2,177	+ 2,006
Monthly average in 1928	+ 181	+ 167
September, 1928	+ 343	+ 249
October, 1928	+ 287	+ 284
November, 1928	+ 254	+ 220
December, 1928	+ 493	+ 207
January/February, 1929	+ 114	+ 352
March, 1929	- 5	- 79
April, 1929	- 362	- 312
May, 1929	- 383	- 305

In 1929, however, in connection with the events of the last few months, there was a distinct change. The February interim balance-sheet still revealed an appreciable rise in some items; but the increase in other cases was much smaller than in the corresponding period in 1928. The end of March showed lower figures in nearly every case, and the downward movement became still more evident in the figures for April and May.

It would appear as if the great demand for foreign exchange had been met by the banks to a considerable extent by the re-discount of bills at the Reichsbank, instead of drawing on their own holdings of Devisen. The item "cheques, bills etc." in the case of the principal banks fell in April by $\mathcal{R}M$ 262 millions, whereas the bill-holding of the Reichsbank increased in that month by $\mathcal{R}M$ 494 millions. As a result of the restrictive measures of the Reichsbank "cheques and bills" decreased by a further $\mathcal{R}M$ 213 millions in May.

The following observations may be made with regard to the separate items of the balance sheets of the principal banks.

The item "advances on goods" which increased by $\mathcal{R}M$ 623 millions in 1928 to stand at $\mathcal{R}M$ 1,399 millions, totalled at the end of May, 1929, $\mathcal{R}M$ 1,408 millions that is to say almost three times the pre-war figure. On the other hand the customers' credits with third parties rose in 1928 by $\mathcal{R}M$ 586 millions to $\mathcal{R}M$ 1,218 millions, and increased still further to $\mathcal{R}M$ 1,249 millions at the end of May, 1929. At the end of April, 1913, these credits only totalled $\mathcal{R}M$ 25 millions. The increased recourse to the cheaper foreign bank acceptances for financing German trade appears to be reflected in this development.

The German acceptance business has remained limited. At the end of May, 1929, the principal banks had issued $\mathcal{R}M$ 474 millions of acceptances, as against $\mathcal{R}M$ 1,226 millions at the end of April, 1913.

The contingent liabilities, which fell from $\mathcal{R}M$ 1,092 millions at the end of August, 1928, to $\mathcal{R}M$ 801 millions at the end of February, 1929, have since shown a tendency to rise. They totalled $\mathcal{R}M$ 1,331 millions at the end of May.

Only two banks have in their last annual reports published information as to the extent of their foreign deposits. According to their statements, the proportion of foreign deposits to the total amount of deposits was something between 32 and 35 per cent at the end of 1928, a proportion which may perhaps be taken to apply approximately also to the other principal banks.

The following table contains the principal figures of the most recent interim balance sheets published by all the banks regularly issuing reports; the table clearly shows the respective positions of the private and public banks in Germany. The interim Report for 1928 and the annual Report 1927-28 contained similar tables based on the interim balance sheets of March 31, and October 31, 1928, respectively, and we would refer to these tables for purposes of comparison.

Balance sheets of German credit banks as at May 31, 1929				
	5 principal Berlin banks	98 Credit banks (including 5 principal Berlin banks)	21 State and provincial banks	17 Giro- zentralen
(in millions of reichsmarks)				
Cash balances, foreign currency and coupons.....	98.2	146.6	12.3	8.1
Credit balances with banks of issue and clearing banks	118.0	155.5	15.5	4.5
Cheques, bills and Treasury bills	2,014.6	2,783.7	442.4	178.9
Credit balances with other banks...	1,059.5	1,566.7	404.1	366.2
Contango loans and other loans against collateral	601.3	783.0	144.9	63.8
Contango loans only	396.6	469.1	15.8	15.4
Advances on goods.....	1,408.4	1,894.4	7.1	7.3
Loans and advances on current account, together.....	4,599.3	6,886.6	1,772.3	1,054.4
amount of the same representing credits to banks.....	286.7	403.1	358.7	270.6
amount of total covered by Stock Exchange securities	1,091.1	1,443.5	122.9	33.3
amount of total covered by other securities.....	2,219.8	3,677.2	1,394.5	575.7
amount of total uncovered	1,288.4	1,765.9	254.9	445.4
Share capital	520.0	1,035.4	107.3	171.8
Reserves	274.1	439.2	41.8	33.4
Deposits, together.....	9,034.3	12,895.4	3,015.0	1,903.0
a) drawn on by customers in favour of third parties	1,248.6	1,748.5	8.4	5.5
b) German banks, banking firms, etc.	896.0	1,412.1	1,025.8	1,350.5
c) other deposits	6,889.8	9,734.8	1,980.8	547.0
Of b + c the following amounts are payable:				
within 7 days	3,224.1	4,481.4	863.2	783.1
7 days to 3 months	4,177.6	5,745.0	1,537.1	830.0
after more than 3 months	384.1	920.5	606.3	284.4
Acceptances	474.0	683.2	17.5	0.1

The following table shows the movements of the Reichsbank discount rate and the normal rates of the Association of Berlin Banks and Bankers (Stempelvereinigung) during the period under report; for purposes of comparison a few figures from previous years have been added.

Date	Reichsbank discount rates and normal rates of the Association of Berlin Banks and Bankers					
	Reichsbank discount	Charges on accommodation in current account	Commission on advances	Charges for accommodation + commission on advances	Interest on daily deposits without commission	Interest spread
Annual percentage						
August 31, 1924 ..	10	12	6	18	6	12
August 31, 1925 ..	9	11	3	14	5	9
August 31, 1926 ..	6	7	2.4	9.4	3	6.4
August 31, 1927 ..	6	7	2	9	3.5	5.5
August 31, 1928 ..	7	8	2	10	4	6
January 12, 1929 ..	6.5	7.5	2	9.5	3.5	6
April 26, 1929	7.5	8.5	2	10.5	4.5	6
June 1, 1929	7.5	9.5	2	11.5	5.5	6
June 30, 1929	7.5	8.5	2	10.5	4.5	6

From March, 1926, the rate for accommodation was 1 per cent higher than the discount rate of the Reichsbank, while the rate for deposits also followed the latter generally. As from June 1, 1929, however, in connection with the restrictive measures of the Reichsbank, there was a temporary deviation from this usage, the rate for accommodation on current account being increased by an additional 1 per cent to two points above the Reichsbank discount rate. Since the interest on day-to-day deposits without commission was also increased by 1 per cent, there was no change in the interest spread, which had in fact remained at 6 per cent since October 5, 1927.

When the measures of credit restriction were relaxed, the Association of Berlin Banks and Bankers decided to decrease the rate for accommodation, with the result that the rate of 1 point over the Reichsbank discount rate was re-introduced as from June 30. Interest on deposits was at the same time reduced by 1 per cent, so that the interest spread remained unchanged.

i. Capital market and supply of credit.

The following tables, taken from the publications of the Statistical Office of the Reich, show the German inland issues and German loans taken up abroad in the years 1924-29. Various figures given in earlier reports have since been rectified by the Statistical Office.

The figures give the nominal amounts in the case of loans and the price of issue (without amalgamations or contributions other than in cash) in the case of shares.

Issues of securities in Germany and loans taken up abroad				
Period	Issues in Germany			Foreign loans
	Bonds	Sares	Total ¹	
(in millions of reichsmarks)				
1924	441	148	589	1,002
1925	994	656	1,650	1,266
1926	3,433	988	4,421	1,580
1927	2,841	1,438	4,337	1,412
1928	2,905	1,339	4,258	1,464
1929 (5 months)	797	610	1,407	235

¹ The total for issues in Germany in 1927 includes 58 millions of reichsmarks of foreign securities issued in Germany, the 1928 total includes 14 millions of reichsmarks and the 1929 total 19 millions of reichsmarks.

The monthly figures for the period under report show the following development as compared with the quarterly monthly averages of the previous year.

Month	Issues in Germany					Foreign loans	
	Bonds			Shares	Total		
	Bodies of public law standing and public undertakings	Mortgage Banks	Other private undertakings				
(in millions of reichsmarks)							
Monthly averages							
3rd quarter 1927 ...	13	107	1	83	204	223	
4th " 1927 ...	1	118	1	103	223	189	
1st " 1928 ...	95	220	12	67	394	114	
2nd " 1928 ...	95	171	28	137	431	245	
3rd " 1928 ...	9	124	32	108	273	38	
Monthly figures							
September, 1928	16	112	77	71	276	103	
October, 1928	42	143	1	120	306	34	
November, 1928	15	116	—	170	315	168	
December, 1928.....	8	142	76	95	321	71	
January, 1929	34	227	—	227	488	27	
February, 1929	63	115	—	77	274	155	
March, 1929	19	115	—	53	187	48	
April, 1929	15	140	—	124	279	1	
May, 1929.....	—	69	—	129	198	4	

During the period under report there have been no bond issues of public undertakings. The total for issues in Germany also includes the foreign securities issued in Germany, of which there were \mathcal{RM} 14 millions in November, 1928, and \mathcal{RM} 19 millions in February, 1929.

The January figure was again abnormally high this year, as a result *inter alia* of the fact that particularly high receipts from interest and dividends are generally available in that month. In addition the capital market has in January the benefit of the customary easing of the money market after the end-of-the-year settlement. The figures in the remaining months of the current year were not so high (though April is also an important date for interest payments). Altogether, however, the drop in the volume of internal issues was not so large as that in the case of the foreign loans, which in April and May were almost non-existent. The fact that the German issue market (and in particular the bond market) was not altogether stagnant during this period in spite of the credit difficulties is to be explained chiefly by the continued demand on the part of the savings banks. Sales to foreign countries appear to have fallen off appreciably.

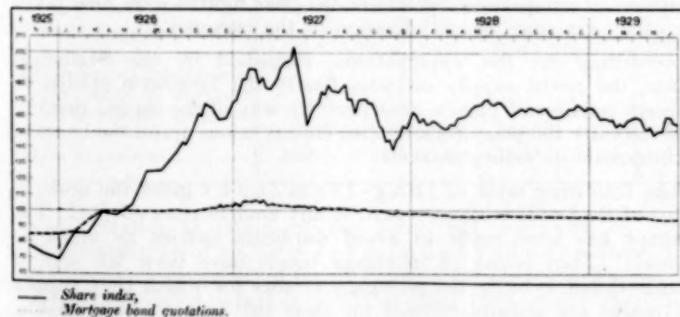
The terms for capital issues have become less favourable, and that not only in the case of issues abroad but also in the case of issues in Germany. The average yield for the subscriber (the total charge for the debtor is not known) worked out at 5.98 in 1927 and 6.73 in 1928. These figures do not apply to the issues of mortgage banks.

The figures for share issues are more satisfactory than those of the previous year. That the tendency to rise was uneven is partly due to the fact that large issues were concentrated in particular months. For example, January includes a very large amount of potash issues, whereas the April figure includes big capital increases in the Prussian State undertakings group. In May there were also big issues of public undertakings for an approximately equal amount (RM 40 millions of shares of the Viag, the holding company of the industrial undertakings belonging to the Reich, and RM 30 millions for the Elektrowerke).

Diagrams XV and XIII show the movement of the quotations and of the yield of mortgage bonds.

Diagram XV.

Weighted share index and quotations of an 8 per cent representative mortgage bond on the Berlin Bourse.



The figures of the share prices, represented by the curve in Diagram XV, show a slight tendency to sink since the middle of 1928, and this tendency has become clearer since the beginning of 1929. This downward movement was originally mainly due to the gradual falling off of trade, but later the credit difficulties to which reference has been made contributed to this development. The fact that, during the critical weeks, the fall in quotations remained generally speaking slight, would appear to be due in the first instance to the insignificance of Stock Exchange speculation, but also to further foreign purchases.

The prices of shares after a small rise have again decreased slightly during the past few weeks.

The events of the past few months led to a slowing down in the increase of deposits with the savings banks. The bigger figures for December, January and February—particularly for January—are mainly due to the fact that these months coincided with the payment of interest.

Month	Total savings deposits at the end of the month	Increase during the month
	(in millions of reichsmarks)	
August, 1928	6,265.0	179.0
September, 1928	6,417.2	152.2
October, 1928	6,596.2	179.0
November, 1928	6,776.4	180.2
December, 1928	6,988.2	211.8
January, 1929	7,413.9	425.7
February, 1929	7,652.4	238.5
March, 1929	7,825.2	172.8
April, 1929	7,958.5	133.3

The Statistical Office of the Reich recently published a table showing Germany's credit supply as at April 30, 1929. For purposes of comparison the end-of-the-year figures were also given for each year since the stabilisation of the currency.

According to the explanations furnished by the Statistical Office, the credit supply includes firstly the long-term credits to German public and private enterprise by way of the capital market, and secondly the sum of short-term credits taken up on the German or international money markets.

The following table of long-term loans gives the nominal value of the bonds without regard to any amortisation effected. The attempt has been made to avoid duplicate entries as much as possible. Thus issues of mortgage bonds have been left out of consideration, because the mortgage credits for which they supply the means are already entered for their full amount in the table.

Further, in the case of share issues, the attempt has been made to include only those which really represent new money; they are entered at the issue price. Various important categories of credit could not be included owing to there being no statistics thereon, as for example mortgage loans by private persons and additions to the resources of limited liability companies, private partnerships and individual firms.

Position of long-term loans taken up by public and private enterprise during the period 1924 — April, 1929 (in millions of reichsmarks).

Borrower or nature of credit	Position at end of					April 30, 1929
	1924	1925	1926	1927	1928	
I. Public enterprise						
1. Loans of bodies of public law standing						
a. issued in Germany ..	21.0	36.0	690.0	1,388.0	1,844.0	1,965.0
b. issued abroad	—	396.0	787.1	1,069.9	1,267.8	1,289.3
2. Loans of public undertakings						
a. issued in Germany ..	6.0	28.0	392.0	408.0	615.0	615.0
b. issued abroad	—	259.5	593.2	671.3	1,102.6	1,265.8
3. Communal loans of bodies of public law standing and public undertakings	198.0	535.4	1,589.5	2,423.2	3,547.5	3,980.9
Total: Public enterprise	225.0	1,254.9	4,051.8	5,960.4	8,376.9	9,116.0
II. Private enterprise						
1. Issues of securities, total	191.0	1,298.9	3,095.3	4,795.0	6,614.8	7,147.1
a. bonds issued in Germany	37.0	116.0	438.0	619.0	913.0	913.0
b. bonds issued abroad	42.0	531.9	1,192.3	1,554.0	1,927.8	2,015.1
c. share issues	112.0	651.0	1,465.0	2,622.0	3,774.0	4,219.0
2. Mortgage credits, total ..	1,091.9	2,772.8	6,083.3	9,763.9	13,589.7	14,821.6
a. on municipal property ..	368.4	1,090.9	2,704.4	4,843.9	7,095.3	7,899.0
b. on agricultural property ..	453.5	951.9	1,928.9	2,620.0	3,344.4	3,512.6
c. Rent tax mortgages ..	270.0	730.0	1,450.0	2,300.0	3,150.0	3,410.0
Total: Private enterprise	1,282.9	4,071.7	9,178.6	14,558.9	20,204.5	21,968.7
I and II. Long-term credits, total	1,507.9	5,326.6	13,230.4	20,519.3	28,581.4	31,084.7
Of this amount, foreign loans and issues of mortgage bonds abroad accounted for	42.0	1,268.6	2,899.4	3,980.9	5,475.1	5,821.3
ditto, in per cent	2.80	23.82	21.91	19.40	19.16	18.73

The Statistical Office of the Reich has attempted to collect similar statistics of short-term indebtedness. Here it has been found exceptionally difficult to avoid duplicate entries, not only because all credits, whether in bill or other form, which represent a passing on of credit and not new money, had to be eliminated, but also

because it was necessary to exclude credits which represent the financing of new capital issues already appearing in the statistics of long-term indebtedness. The elimination of bank credits to other banks was not possible until March, 1928, when the interim balance sheets of the banks were altered to show this item separately, and is even now only possible in the case of those banks which publish such balance sheets. Furthermore there are no statistics in the case of private banks and banking firms, or in the case of credits issued by agricultural credit cooperatives out of their own funds, or a few other minor organisations.

According to the statistics the total short-term indebtedness on April 30, 1929, amounted to more than \mathcal{RM} 24 milliards. If the figure of 7 milliards already mentioned is accepted as representing the foreign short-term credits, the proportion of the latter is approximately 29 per cent.

Position of short-term loans taken up during the period 1924 - April, 1929 (in millions of reichsmarks)						
Lender or form of credit	Position at end of					April 30, 1929
	1924	1925	1926	1927	1928	
I. Bank loans (Advances on current account and advances on goods)						
1. Share banks	2,435.2	3,909.3	4,774.6	6,608.0	8,524.4	8,979.3
2. Credit institutions of public law standing	754.6	1,441.1	1,559.5	2,037.7	2,882.2	2,960.9
3. Giro and communal banks	—	—	—	—	310.8	335.6
Total: Banks	3,189.8	5,350.4	6,334.1	8,645.7	11,717.4	12,275.8
4. Co-operative banks	356.1	998.8	1,077.6	1,061.4	1,573.9	1,584.0
5. Savings banks	794.5	1,313.8	1,659.9	1,917.3	2,175.9	2,248.7
Total: Credit institutions	4,340.4	7,663.0	9,071.6	11,624.4	15,467.2	16,108.5
II. Bill holdings						
1. Banks of issue	3,024.9	3,171.1	2,275.3	3,310.3	2,861.1	3,109.4
2. Other banks	2,121.0	3,284.9	3,487.4	3,741.7	5,184.7	4,881.2
Total	5,145.9	6,456.0	5,762.7	7,052.0	8,045.8	7,990.6
I and II. Short-term loans, total	9,486.3	14,119.0	14,834.3	18,676.4	23,513.0	24,099.1

j. Discount and credit policy of the Reichsbank.

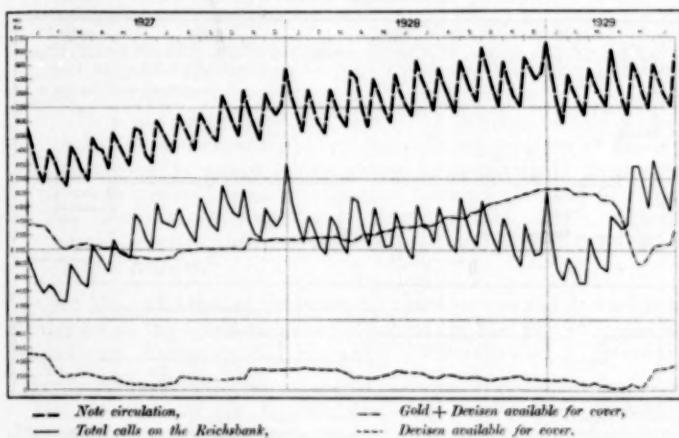
As already explained, 1928 was a year of great stability both on the money and exchange markets.

As a result the position of the Reichsbank developed without disturbance throughout the year.

Apart from month to month fluctuations, the note circulation increased gradually throughout the year, but not to the same extent as in 1927.

Diagram XVI.

Note circulation, note cover and credits of the Reichsbank.



There were greater changes in the principal asset items. Whereas in 1927 the gold stock and the reported holdings of foreign exchange after an initial fall remained practically unchanged, in 1928 there was a rise, in particular during the latter part of the year, with the result that the total figure at the end of 1928 was $\text{RM} 738$ millions higher than at the end of 1927. The total increase indeed exceeds this figure by $\text{RM} 183$ millions, as the foreign exchange not shown in the weekly statements of the Bank rose during the same period from $\text{RM} 190$ to $\text{RM} 373$ millions.

The calls on the Reichsbank in the two years in question followed a different course. The increased recourse to the Bank in 1927 had already come to a standstill by the end of the year, and although the level then reached was maintained during the greater part of 1928, a definite tendency to sink became noticeable later on.

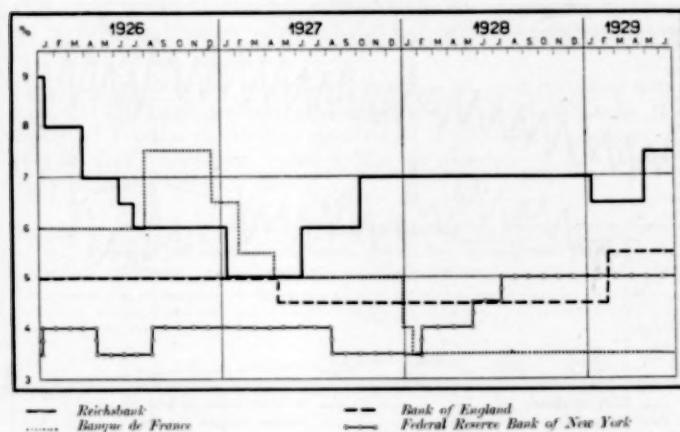
The changed position is still clearer if we exclude foreign bills. The bill holdings of the Reichsbank contained foreign bills to the amount of $\text{RM} 155$ and $\text{RM} 371$ millions at the end of 1927 and 1928 respectively. Consequently the fall in the purely domestic calls on the Bank (which in this connection are the most important) was $\text{RM} 216$ millions more than the figure of $\text{RM} 501$ millions given in diagram XVI.

The cover in gold and Devisen for the notes in circulation amounted to 58.5 per cent at the end of 1928 as against 47.0 at the end of 1927.

After the usual tension at the end of the year the conditions of the money market in the first days of 1929 were even easier than in the year before; and the question of reducing the discount rate became acute.

Diagram XVII.

Discount rates.



An argument in favour of reduction was the trade depression, of which the reduced recourse to the Bank was itself the reflexion. On the other hand the general rising tendency which the interest rates showed in certain other countries, and in particular in the United States, appeared to call for caution, especially in view of Germany's existing long and short-term foreign indebtedness. But the reichsmark exchange had remained without a break favourable in spite of the falling interest spread, and especially the last few months had seen an appreciable influx of gold. In the United States also a certain easing of the position was visible at the beginning of the year.

Under these circumstances the Reichsbank Directorate decided to reduce as from January 12, 1929, its discount rate which had remained at the level of 7 per cent since October 4, 1927; the reduction was however limited to $\frac{1}{2}$ per cent, with the result that the discount rate stood at $6\frac{1}{2}$ and the rate for loans on collateral at $7\frac{1}{2}$ per cent.

The Chairman explained the position at the meeting of the Central Committee of the Reichsbank on January 11, 1929, with special reference to the following points:

"It can be seen that the movement of trade has in the interval led to a not unappreciable reduction in the total credits of the Reichsbank. The increase in the note circulation, which is nevertheless observable, is mainly a result of the considerable increase in the gold and Devisen holdings, which is in its turn attributable to a further increase in our short and long-term

foreign indebtedness. The Reichsbank Directorate, however, finds in the movement of the credits of the Bank the necessary conditions for reducing the discount rate from 7 to $6\frac{1}{2}$ per cent and the rate for loans on collateral from 8 to $7\frac{1}{2}$ per cent. It is assumed that such a reduction will not unfavourably influence the general level of prices, as it is more probable that there will be changes in the cover than an increase in the note circulation. The extent of such changes cannot as yet be estimated; in any case a bigger reduction than $\frac{1}{2}$ per cent does not appear expedient in view of this uncertainty and the effects of other factors.

It is not to be expected that the reduction of the discount rate will modify or stimulate the difficult position of the capital market. It would be completely to misinterpret the extreme tension prevailing on this market, which continues to require the most careful handling, to imagine that such a reduction would prepare the way for renewed and bigger calls on the capital market."

After the reduction of the discount rate there was at first a further falling off in the recourse to the Reichsbank. The lowest figure was reached on February 23, viz. $\mathcal{R.M}$ 1,509 millions, a figure not reached since March 1927.

The position on the foreign exchange market was quicker to change. In fact foreign currencies had already begun to rise in value some days before the discount rate was lowered. At the beginning of February the dollar reached a level which forced the Reichsbank to draw on its Devisen holdings, and before long on its gold reserves as well, in order to meet the demand for foreign exchange. Gold exports remained limited until the beginning of April ($\mathcal{R.M}$ 46 millions), after which they increased rapidly. The total loss in gold and reported Devisen amounted to $\mathcal{R.M}$ 663 millions for the period from the end of January to April 23. At the same time the Devisen not reported which amounted on December 31, to $\mathcal{R.M}$ 373 millions were presumably drawn upon to a large extent for the same purpose.

Although the cover percentage was still satisfactory as a result of the decrease of domestic credits—it was still 56.6 per cent on April 23—the Reichsbank Directorate took the view that the credit situation, in conjunction with which other economic and psychological factors were beginning to play a part, justified a further increase of 1 per cent in the discount and loan rate, and raised them accordingly on April 25, bringing them up to $7\frac{1}{2}$ and $8\frac{1}{2}$ per cent respectively.

The increase was justified by the Chairman to the meeting of the Central Committee on April 25, in the following terms:

"By its reduction of the discount rate on January 11 last, the Reichsbank believed to have to relieve the economic depression in Germany. In doing so it could take into the bargain that the reduction of the interest spread between German and foreign rates would lead to a reduced influx, or to an actual efflux, of short-term foreign capital and thereby to a reduction of the gold and Devisen holdings of the Bank, in view of the very

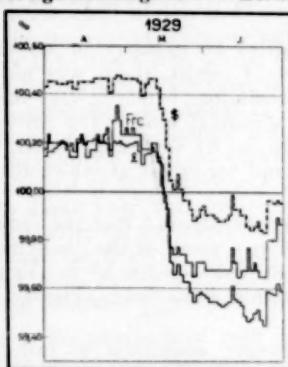
large long and short-term foreign indebtedness of Germany. The quantities of gold and Devisen withdrawn have, however, far exceeded all expectations as a result, not only of the tension on important international money markets, the continuance of the adverse German trade balance, and the small amount of new long and short-term borrowing, but also and chiefly as a result of unavoidable losses of Devisen in payment of the interest and sinking fund service on the big foreign indebtedness, and not least the Devisen payments for reparations which with the increase of the Dawes annuity to $2\frac{1}{2}$ milliards inevitably gave rise to an increased demand for Devisen (between September 1, 1928, and March 31, 1929, there was a demand for $\mathcal{R}\mathcal{M}$ 733 millions of Devisen, as against $\mathcal{R}\mathcal{M}$ 442 millions during the previous seven months). It goes without saying that the Reichsbank must endeavour to meet even such developments as this without increasing its discount rate, so long as the credit requirements of private enterprise do not exceed a certain limit. It is, however, common knowledge that the current difficulties of the money market during the last few weeks have their origin largely (apart from seasonal causes) in the regrettable cash position of the Reich.

That the Reichsbank Directorate nevertheless finds itself compelled against all customary practice in a period of continued trade depression to increase the discount rate from $6\frac{1}{2}$ to $7\frac{1}{2}$ and the loan rate from $7\frac{1}{2}$ to $8\frac{1}{2}$ per cent, is due alone to the deterioration of the position in regard to the gold and foreign exchange reserve. It is once again shown clearly to what unnatural pressure the discount policy of the Reichsbank is subjected owing to the necessity of relying on foreign capital for Germany's economic requirements and owing to the increased demands for Devisen for reparation purposes. The Reichsbank is compelled to impose new interest charges on the national economy at a time when the latter actually requires the stimulus of reduced rates."

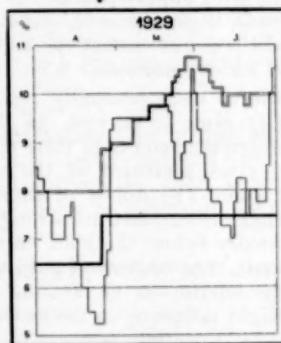
The increase in the discount rate could no more have any appreciable effect on the general development. Psychological factors increasingly affected the course of events. During the last few days of April especially Devisen were withdrawn on a rapidly increasing scale both by German and foreign applicants. The phenomena on the "street" market, to which reference was made on page 41 above, made their appearance. As, however, the Reichsbank was surrendering the required Devisen, at rates below the gold export point, the official exchange rates in Germany never rose above this point. Rates further removed from parity were, however, quoted occasionally on foreign markets at the time.

The weekly statement of April 30, clearly showed the influence of the events. Owing also to end-of-the-month requirements the calls on the bank increased during the last week in April by no less than $\mathcal{R}\mathcal{M}$ 832 millions, while the gold and Devisen holdings on the other hand fell by 228 millions and the cover percentage dropped to 43 per cent.

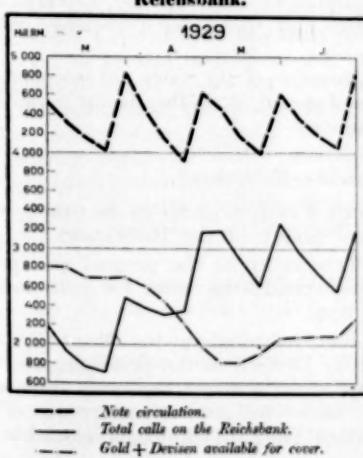
Foreign Exchange rates in Berlin.



Money rates in Berlin.



Reichsbank.



The publication of these figures on May 3, further increased the atmosphere of uncertainty, and the withdrawals of Devisen from the Bank continued unchecked.

The consequence was that the Reichsbank found itself compelled to take radical measures. It proceeded accordingly to introduce rigorous restrictions of credit, which though from the first it was proposed to judge all cases as far possible on their merits, made it possible to put a definite stop to further presentations of bills for financing Devisen purchases which were not absolutely necessary.

The credit restrictions were introduced on May 4, and had hardly time to affect the figures of the Reichsbank statement of May 7. The aggregate recourse to the Bank was on the latter date even higher than it had been at the end of April. On the other hand the Bank was shown to have lost a further 172 millions of gold and Devisen since the beginning of the month. The cover percentage fell to 41 per cent.

In a few days, however, the position was completely changed. The effect of the psychological factors was very soon arrested, and influences in the opposite direction began to make themselves felt. Under pressure of the credit restrictions rates on the money market rose to such an extent that the foreign exchanges had begun by May 13, to move heavily downwards. At the same time the belief in a positive

result of the Paris conference grew and helped in the same direction.

As there was no question either in industry or on the Stock Exchange of any excessive use of credit, there was no need to attempt to restrict the total circulation, which in fact throughout the critical period remained at a normal level. The private banks were accordingly soon in a position by imposing dearer terms to exert that pressure on the demand for credit at which the restrictions were aimed.

The weekly statement of May 23, showed that the reduction in the volume of calls on the Bank as a result of the credit restriction did not fall below the reduction in the credits of the Bank which under normal circumstances would have been expected to take place.

Meanwhile the foreign exchanges continued to fall, and the dollar was approximately at par on May 18; the pound sterling and the French franc approaching the gold import point. The gold and Devisen holdings of the Reichsbank began again to increase and it was possible to meet all the credit requirements at the end of May, totalling the high figure of $\mathcal{R.M}$ 3,259.6 millions.

Since then the restrictive measures were gradually removed and by the middle of June practically came to an end. As the banks, however, continued to show considerable reserve in their recourse to the Reichsbank, money market rates remained at the unusually high level during the whole of June. The inflow of foreign short credits persisted and the Reichsmark maintained its strong position, the pound sterling falling repeatedly below the gold import point during the second half of the month. The important gold shipments from London at the end of the month—to an amount of more than £ 7 millions—had only a slight influence on the exchanges.

As shown by the statement of June 29, the position of the Reichsbank has materially improved. Gold and reported Devisen together amounted to $\mathcal{R.M}$ 2,271.9 millions or $\mathcal{R.M}$ 452.7 millions more than on May 7. The half-year calls on the Reichsbank remained within normal limits and the cover percentage was 47 per cent.

The end of the temporary increase of the rates for accommodation with the private banks on June 30, is another factor pointing in the direction of easier conditions.

1. Gold and Devisen policy of the Reichsbank.

The last few months have afforded clear evidence of the principles governing the gold and Devisen policy of the Reichsbank.

As mentioned on page 12, there is up to the present no legal obligation on the Reichsbank to exchange its notes for gold coin, gold bars or Devisen at its option.

Nevertheless the Bank has adhered throughout the recent period of exceptionally eager demand for Devisen to the principle, which it has always in practice accepted, of meeting any such demand to an unlimited extent at rates below the gold export points. To purchasers it has only given Devisen. The gold shipments, which have

been a consequence of the foreign exchange position, have on each occasion been made at the instance of the Bank itself, and have been for the purpose of replenishing the foreign exchange holdings. It appears from the letter, which the President of the Reichsbank addressed on June 6, to the Chairman of the Committee of Experts in Paris—published as Annex II to the Experts' Report—that the President of the Reichsbank intends on or before the coming into force of the Experts' Plan to introduce with the Directorate and the General Council of the Reichsbank the joint resolution, as provided for in the Bank Law, for putting in force the legal obligation to redeem the notes on presentation. The letter in question further observes that the question has only formal importance since "the reichsmark is *de facto* on a gold basis, and has proved itself since its creation as stable a currency as any other in the world."

So far as the purchase of gold is concerned, the Bank continues to be prepared to take the metal at any and every of its branches at the minimum price fixed in the Bank Law of RM 2,784.

As stated in the Report of the Reichsbank for 1928, the total holdings of Devisen at the end of 1928 was RM 528.3 millions, as against RM 472.0 millions in 1927. The total was made up as follows:

Credit balances in foreign currencies (of which 281.1 millions in 1927 and 154 millions in 1928 were shown as "available as cover for the note issue")	(in millions of reichsmarks)	
Foreign notes	315.8	155.8
Foreign bills and cheques	0.9	1.3
	155.3	371.2
	472.0	528.3

Concluding Remarks.

The gradual set-back in the business situation, the beginnings of which were already apparent in the first half of 1928, appears (so far as present indications go) to be at an end. There are even occasional slight tendencies to improvement, though the differences in the position of the various industries remain as marked as ever. The unemployment figures, in which the depressing influence of the long period of frosty weather is most clearly shown, have diminished considerably since then. The latest figures indicate a degree of activity which, though less than that of the former year, may nevertheless be considered on the whole not unsatisfactory.

Among the more general factors which have characterized the period just elapsed the events in the credit market take a prominent place.

The rates for money have risen in the majority of countries under the influence mainly of New York. The consequence has been increasingly dear terms for short foreign money. In the case of long-term foreign credits the influence of the credit difficulties

in the United States is still more noticeable. The terms for such credits have become more unfavourable, and even on these more unfavourable terms it has become increasingly difficult to obtain new long-term money from foreign countries. Recent events which tended to increase these difficulties still further—the uncertainty with regard to the results of the Paris Conference and the acute developments on the German credit market—are now things of the past. But so long as there are no decisive changes on the international capital market, the increase in the volume of long-term foreign credits is bound to be limited. Even the consolidation of credits already granted is rendered more difficult, so that for the present there is little prospect of the existing disproportion between long and short term foreign credits showing any rapid improvement.

Although the proportion of foreign money in the total of long-term credits granted in Germany has gradually decreased—it totalled according to the figures available 18.7 per cent at the end of April, 1929, as against 23.8 at the end of 1925—there is no question of Germany being able to dispense for the present with foreign credits.

The difficult credit position reacts in more than one way on German economic life. It not only influences general business activity, but it also introduces an element of force majeure into a tendency which has been observable for some time past in the economic life of Germany. The emphasis in past years was on the rationalisation and modernisation of the machinery of production. To-day attention is directed increasingly to the working of the machinery, and it has to be proved whether the economic results will be up to the expectations expressed. Viewed in this light the foreign trade figures, and in particular the figures which show the exports of finished articles, acquire increasing significance.

The recent favourable development of these figures remains satisfactory even when allowance is made for the pressure exerted by the acute happenings on the domestic money market, but there are many factors, on which the future of German exports is dependent, such as the tariff policy of other countries, which are beyond Germany's control.

In conclusion reference may be made to the part played by the Reichsbank during the recent credit difficulties.

The Reichsbank entered on the year 1929 with an aggregate holding of gold and devisen (including the devisen not reported) of $\mathcal{R}M$ 3,258 millions. Shortly after the decrease in the discount rate on January 12, an outflow began which particularly in April assumed ever increasing dimensions with the result that on April 23, some 1000 millions of gold and devisen had been lost. Two days later the discount rate was raised; but this measure could not prevent further decline in reserve as other, non-economic, factors had come into the picture. Consequently on May 4, the Directorate of the Reichsbank decided to have recourse to a policy of credit restriction. By this action, which is discussed at greater length on page 59, the Reichsbank showed that it was not afraid in case of necessity to have recourse to drastic measures in

order to maintain the position of the Bank and of the reichsmark. As a result confidence was completely restored within a few days. On May 13, the exchanges began to move in the desired direction, and a relaxation of the restrictions (which had from the first been applied with all possible consideration for individual cases) soon followed.

Since then the position of the Reichsbank has again appreciably improved. The holdings of gold and reported devisen had increased at the end of June by *R.M.* 453 millions as compared with the lowest point reached on May 7, and the cover percentage was once again 47 per cent. Money rates are, however, still above the normal.

The crisis is past. The advantage gained is that it has afforded practical proof that, if the central bank holds firm, there is no ground for fear of a decline in the value of the currency, and further that, when for any reason confidence is impaired, temporary credit difficulties may indeed result, with all the inconveniences which such difficulties involve for the banking community and for the economic life of the country as a whole, but no depreciation in the value of the currency.

The manner in which the Reichsbank has faced and overcome this ordeal constitutes yet another guarantee of the stability of the German currency.

G. W. J. BRUINS.

Annex A.

General Council of the Reichsbank

Dr. Hjalmar Schacht, President,	Dr. Louis Hagen,
Sir Charles Addis,	Franz von Mendelssohn,
Prof. Dr. G. Bachmann,	Hans Remshard,
Prof. Dr. G. W. J. Bruins,	Charles Sergeant,
A. Callens,	Franz Urbig,
Carlo Feltrinelli.	Max M. Warburg,
Gates W. McGarrah.	Oscar Wassermann.

Commissioner of the Reichsbank

Prof. Dr. G. W. J. Bruins.

Managing Board of the Reichsbank

Dr. Hjalmar Schacht, President,	Dr. W. Vocke,
F. Dreyse, Vice President,	Dr. C. Friedrich,
A. Budczies,	R. Fuchs,
Dr. B. Bernhard,	P. Schneider.
O. Seiffert.	

Annex B.

Means of payment in circulation¹

(in millions of reichsmarks)

Date	Reichs- bank notes in circu- lation	Notes of the Private Banks of Issue in circu- lation	Renten- bank notes in circu- lation	Divisional coins in circu- lation	Total circu- lation of means of payment
October 15, 1924 . . .	1,396.7	—	1,790.4	352.3	3,539.4
August 31, 1925 . . .	2,594.6	186.5	1,712.6	512.1	5,005.8
August 31, 1926 . . .	3,225.1	186.6	1,260.0	666.3	5,320.0
August 31, 1927 . . .	3,934.7	184.7	1,007.2	740.2	5,866.8
August 31, 1928 . . .	4,673.0	186.6	570.1	909.3	6,339.0
September 7, 1928 . . .	4,453.7	184.2	546.3	912.6	6,096.8
September 15, 1928 . . .	4,256.4	184.2	550.5	908.4	5,899.5
September 22, 1928 . . .	4,100.1	183.3	540.9	903.7	5,728.0
September 29, 1928 . . .	4,830.2	188.1	570.3	934.1	6,522.6
October 6, 1928 . . .	4,592.1	184.9	542.0	936.2	6,255.2
October 15, 1928 . . .	4,293.8	184.6	521.5	930.6	5,930.6
October 23, 1928 . . .	4,034.7	184.5	498.5	919.2	5,636.9
October 31, 1928 . . .	4,672.0	188.6	542.7	940.1	6,343.4
November 7, 1928 . . .	4,410.3	184.0	512.8	940.8	6,047.9
November 15, 1928 . . .	4,172.7	184.2	514.3	930.1	5,801.4
November 23, 1928 . . .	4,043.3	183.3	501.3	926.4	5,654.2
November 30, 1928 . . .	4,724.0	187.7	524.3	949.5	6,385.6
December 7, 1928 . . .	4,554.9	186.5	503.3	953.3	6,198.0
December 15, 1928 . . .	4,424.7	189.5	515.7	949.8	6,079.6
December 22, 1928 . . .	4,481.5	189.0	514.4	960.7	6,145.6
December 31, 1928 . . .	4,930.1	187.3	529.9	967.4	6,614.7
January 7, 1929 . . .	4,484.2	180.6	495.1	955.4	6,115.3
January 15, 1929 . . .	4,080.4	174.4	480.0	932.9	5,667.8
January 23, 1929 . . .	3,809.3	173.8	463.7	917.3	5,364.0
January 31, 1929 . . .	4,453.9	181.9	512.8	936.6	6,085.2
February 7, 1929 . . .	4,236.1	177.0	475.7	937.6	5,826.4
February 15, 1929 . . .	4,077.3	178.7	479.1	933.8	5,668.8
February 23, 1929 . . .	3,902.1	179.3	462.0	929.1	5,472.5
February 28, 1929 . . .	4,553.0	183.5	508.2	953.1	6,197.8
March 7, 1929 . . .	4,337.7	179.6	476.9	953.9	5,948.1
March 15, 1929 . . .	4,165.8	180.7	473.4	944.6	5,764.4
March 23, 1929 . . .	4,033.0	176.9	465.2	936.9	5,612.0
March 28, 1929 . . .	4,822.0	188.7	503.6	971.0	6,485.4
April 6, 1929 . . .	4,446.7	182.4	465.5	961.6	6,056.2
April 15, 1929 . . .	4,145.2	178.1	455.6	945.9	5,724.8
April 23, 1929 . . .	3,918.9	178.2	441.4	927.6	5,466.1
April 30, 1929 . . .	4,631.5	185.1	489.1	950.4	6,256.1
May 7, 1929 . . .	4,442.4	181.7	455.9	956.6	6,036.6
May 15, 1929 . . .	4,167.3	181.2	449.0	943.3	5,740.9
May 23, 1929 . . .	4,006.2	176.9	434.7	933.5	5,551.2
May 31, 1929 . . .	4,606.4	177.9	490.8	982.6	6,257.7
June 7, 1929 . . .	4,372.5	175.5	456.9	969.3	5,974.2
June 15, 1929 . . .	4,191.8	176.2	452.5	955.4	5,776.0
June 22, 1929 . . .	4,068.7	173.9	435.5	946.3	5,624.3
June 29, 1929 . . .	4,838.6		460.4		

¹ For the weekly figures from October 15, 1924 until August 31, 1928 vide the relative annexes of the previous Reports.

Annex C.

Cover for Reichsbank notes¹

(in thousands of reichsmarks)

Date	Cover according to § 28a			Cover according to § 28b	Total Cover
	Gold holdings	Devisen available for cover	Total	Bills and cheques	
October 15, 1924 . . .	613,625	204,541	818,166	2,153,943	2,972,109
August 31, 1925 . . .	1,138,361	357,458	1,495,819	1,764,980	3,260,799
August 31, 1926 . . .	1,492,818	497,606	1,990,424	1,251,509	3,241,933
August 31, 1927 . . .	1,852,671	157,309	2,009,980	2,661,635	4,671,615
August 31, 1928 . . .	2,248,130	194,908	2,443,038	2,603,908	5,046,946
September 7, 1928 . . .	2,269,696	180,046	2,449,742	2,389,712	4,839,454
September 15, 1928 . . .	2,310,133	191,247	2,501,380	2,116,391	4,617,771
September 22, 1928 . . .	2,335,806	187,804	2,523,610	2,034,722	4,558,332
September 29, 1928 . . .	2,396,971	179,355	2,576,326	2,576,065	5,152,391
October 6, 1928 . . .	2,487,140	151,894	2,639,034	2,345,807	4,984,841
October 15, 1928 . . .	2,508,671	149,633	2,658,304	2,062,329	4,720,633
October 23, 1928 . . .	2,510,710	163,189	2,673,899	1,963,738	4,657,637
October 31, 1928 . . .	2,532,815	163,257	2,696,072	2,348,280	5,044,352
November 7, 1928 . . .	2,539,923	168,126	2,708,049	2,182,866	4,890,915
November 15, 1928 . . .	2,563,545	185,600	2,749,145	1,879,131	4,628,276
November 23, 1928 . . .	2,573,480	190,462	2,763,942	1,759,053	4,522,995
November 30, 1928 . . .	2,623,494	173,059	2,796,553	2,211,490	5,008,043
December 7, 1928 . . .	2,652,142	178,970	2,831,112	2,044,029	4,875,141
December 15, 1928 . . .	2,690,356	170,737	2,861,093	1,890,466	4,751,559
December 22, 1928 . . .	2,729,283	158,224	2,887,507	1,933,514	4,821,021
December 31, 1928 . . .	2,729,331	155,273	2,884,604	2,627,357	5,511,961
January 7, 1929 . . .	2,729,345	157,377	2,886,722	2,101,098	4,987,815
January 15, 1929 . . .	2,729,282	156,208	2,885,490	1,657,162	4,542,652
January 23, 1929 . . .	2,729,176	163,474	2,892,650	1,548,427	4,441,077
January 31, 1929 . . .	2,729,182	152,216	2,881,398	1,774,054	4,655,452
February 7, 1929 . . .	2,729,111	140,295	2,869,406	1,707,182	4,576,588
February 15, 1929 . . .	2,728,910	100,354	2,829,264	1,446,569	4,275,833
February 23, 1929 . . .	2,728,962	99,134	2,828,096	1,461,250	4,289,346
February 28, 1929 . . .	2,728,933	90,386	2,819,319	1,876,419	4,695,738
March 7, 1929 . . .	2,682,829	127,938	2,810,767	1,749,409	4,560,176
March 15, 1929 . . .	2,646,874	67,769	2,714,643	1,715,214	4,429,857
March 23, 1929 . . .	2,646,946	66,970	2,713,916	1,672,868	4,386,784
March 28, 1929 . . .	2,682,702	35,956	2,718,658	2,295,787	5,014,445
April 6, 1929 . . .	2,579,525	33,695	2,613,220	2,148,390	4,761,610
April 15, 1929 . . .	2,429,866	22,674	2,453,540	2,120,914	4,574,454
April 23, 1929 . . .	2,178,898	39,936	2,218,834	2,239,354	4,458,188
April 30, 1929 . . .	1,891,575	99,372	1,990,947	2,790,227	4,781,174
May 7, 1929 . . .	1,765,619	53,580	1,819,199	2,783,468	4,602,667
May 15, 1929 . . .	1,764,785	56,085	1,820,870	2,568,458	4,389,328
May 23, 1929 . . .	1,764,596	146,455	1,911,051	2,403,439	4,314,490
May 31, 1929 . . .	1,764,529	299,147	2,063,676	2,860,039	4,923,715
June 7, 1929 . . .	1,764,424	308,548	2,072,972	2,758,704	4,831,676
June 15, 1929 . . .	1,764,382	318,515	2,082,897	2,555,501	4,638,398
June 22, 1929 . . .	1,764,327	330,746	2,095,073	2,427,070	4,522,153
June 29, 1929 . . .	1,911,384	360,526	2,271,910	2,843,048	5,114,958

¹ For the weekly figures from October 15, 1924 until August 31, 1928 vide the relative annexes of the previous Reports.

Annex D.

**Percentual cover for Reichsbank notes according
to § 28a¹**

Date	Cover in gold and Devisen %	Cover only in gold %
Average of the period October 15, 1924 to December 31, 1924.....	55.1	41.3
Average of the year 1925.....	60.4	45.8
Average of the year 1926.....	67.0	52.7
Average of the year 1927.....	57.4	51.7
Average of the year 1928.....	56.9	51.7
August 31, 1928	52.3	48.1
September 7, 1928	55.0	51.0
September 15, 1928	58.8	54.3
September 22, 1928	61.6	57.0
September 29, 1928	53.3	49.6
October 6, 1928.....	57.5	54.2
October 15, 1928.....	61.9	58.4
October 23, 1928.....	66.3	62.2
October 31, 1928.....	57.7	54.2
November 7, 1928	61.4	57.6
November 15, 1928	65.9	61.4
November 23, 1928	68.4	63.6
November 30, 1928	59.2	55.5
December 7, 1928	62.2	58.2
December 15, 1928	64.7	60.8
December 22, 1928	64.4	60.9
December 31, 1928	58.5	55.4
January 7, 1929.....	64.4	60.9
January 15, 1929.....	70.7	66.9
January 23, 1929.....	75.9	71.6
January 31, 1929.....	64.7	61.3
February 7, 1929.....	67.7	64.4
February 15, 1929.....	69.4	66.9
February 23, 1929.....	72.5	69.9
February 28, 1929.....	61.9	59.9
March 7, 1929.....	64.8	61.8
March 15, 1929.....	65.2	63.5
March 23, 1929.....	67.3	65.6
March 28, 1929.....	56.4	55.6
April 6, 1929.....	58.8	58.0
April 15, 1929.....	59.2	58.6
April 23, 1929.....	56.6	55.6
April 30, 1929.....	43.0	40.8
May 7, 1929	41.0	39.7
May 15, 1929	43.7	42.3
May 23, 1929	47.7	44.0
May 31, 1929	44.8	38.3
June 7, 1929	47.4	40.4
June 15, 1929	49.7	42.1
June 22, 1929	51.5	43.4
June 29, 1929	47.0	39.5

¹ For the weekly figures from October 15, 1924 until August 31, 1928 vide the relative annexes of the previous Reports.

Annex E.

**Index Numbers of wholesale prices for Germany,
England and the United States**

(1913 = 100)

Month	Germany (Stat. Office of the Reich)	England (Board of Trade)	United States (Bureau of Labor Statistics)
1926			
January	135.8	151.3	156.0
February	134.3	148.8	155.0
March	133.1	144.4	151.5
April	132.7	143.6	151.1
May	132.3	144.6	151.7
June	131.9	146.9	152.3
July	133.1	149.1	150.7
August	134.0	149.9	149.2
September	134.9	150.9	150.5
October	136.2	152.1	149.7
November	137.1	152.4	148.1
December	137.1	146.1	147.2
1927			
January	135.9	143.6	146.9
February	135.6	142.6	146.4
March	135.0	140.6	145.3
April	134.8	139.8	144.2
May	137.1	141.1	144.1
June	137.9	141.8	143.7
July	137.6	141.1	144.6
August	137.9	140.9	146.6
September	139.7	142.1	149.3
October	139.8	141.4	150.1
November	140.1	141.1	149.5
December	139.6	140.4	149.1
1928			
January	138.7	141.1	145.8
February	137.9	140.3	145.9
March	138.5	140.8	145.3
April	139.5	142.9	147.4
May	141.2	143.6	149.2
June	141.3	142.6	147.7
July	141.6	141.1	148.7
August	141.5	139.3	149.6
September	139.9	137.6	151.5
October	140.1	137.9	148.0
November	140.3	137.9	146.3
December	139.9	138.3	146.3
1929			
January	138.9	138.3	147.1
February	139.3	138.4	146.3
March	139.6	140.1	147.5
April	137.1	138.8	
May	135.5	135.8	

Annex F.

Index numbers of German wholesale prices

(Statistical Office of the Reich)

(1913 = 100)

Month	General index	Agricultural products	Industrial raw materials and half-finished goods	Industrial finished goods
1926				
January	135.8	122.3	134.4	158.0
February	134.3	120.9	132.7	157.1
March	133.1	119.8	131.2	156.0
April	132.7	121.5	129.6	154.3
May	132.3	122.5	128.6	152.5
June	131.9	124.0	127.6	149.9
July	133.1	128.7	128.4	146.5
August	134.0	131.8	128.9	145.1
September	134.9	134.1	129.9	144.4
October	136.2	139.7	128.5	143.9
November	137.1	142.8	128.3	143.5
December	137.1	143.7	128.4	142.3
1927				
January	135.9	140.3	128.8	141.6
February	135.6	139.1	129.3	141.6
March	135.0	136.0	130.3	142.0
April	134.8	135.2	129.9	143.0
May	137.1	139.3	131.2	144.3
June	137.9	139.9	131.6	146.0
July	137.6	137.5	132.2	147.1
August	137.9	136.8	133.0	148.3
September	139.7	138.9	134.1	150.7
October	139.8	137.7	134.0	152.9
November	140.1	137.3	134.0	154.6
December	139.2	134.1	134.2	155.7
1928				
January	138.7	132.2	134.4	156.1
February	137.9	130.1	133.6	156.8
March	138.5	131.3	133.5	157.3
April	139.5	133.5	133.8	157.6
May	141.2	135.9	135.3	158.4
June	141.3	136.0	135.0	159.1
July	141.6	136.6	135.1	159.6
August	141.5	137.6	134.3	159.5
September	139.9	134.2	133.5	159.5
October	140.1	134.8	133.4	160.0
November	140.3	135.2	133.5	159.9
December	139.9	134.1	134.1	159.5
1929				
January	138.9	131.7	134.0	158.8
February	139.3	133.9	133.6	158.2
March	139.6	133.7	134.3	158.0
April	137.1	128.2	133.1	157.8
May	135.5	125.8	131.3	157.5

Annex G.

**Index Numbers of cost of living for Germany,
England and the United States**

Month	Germany, Stat. Office of the Reich (1913/14 = 100)	England, Ministry of Labour Gazette (July 1914 = 100)	United States, Nat. Industr. Confer. Board (July 1914 = 100)
1926			
January	139.3	173	170
February	138.8	172	170
March	138.3	168	169
April	139.6	167	168
May	139.9	168	168
June	140.5	170	167
July	142.4	170	166
August	142.5	172	165
September	142.0	174	167
October	142.2	179	167
November	143.6	179	168
December	144.8	175	168
1927			
January	144.6	172	167
February	145.4	171	165
March	144.9	165	164
April	146.4	164	164
May	146.5	163	164
June	147.7	166	165
July	150.0	164	162
August	146.6	165	162
September	147.1	167	163
October	150.2	169	164
November	150.6	169	164
December	151.3	168	164
1928			
January	150.8	166	163
February	150.6	164	162
March	150.6	164	161
April	150.7	164	161
May	150.6	165	162
June	151.4	165	161
July	152.6	165	161
August	153.5	165	161
September	152.3	166	163
October	152.1	167	163
November	152.3	168	163
December	152.7	167	162
1929			
January	153.1	165	161
February	154.4	166	161
March	156.5	162	160
April	153.6	161	
May	153.5	160	
June	153.4		

Annex H.

Germany's imports and exports

(Corrected figures)

Month	Imports	Exports	Deliveries in kind under the Experts' Plan	Total exports (column 3 and 4)	+ Surplus — Deficit	
					columns 2 and 3	columns 2 and 5
1	2	3	4	5	6	7
in millions of reichsmarks						
1924						
January	618.9	520.9	—	—	— 98.0	—
February	775.8	556.3	—	—	— 219.5	—
March	738.9	547.5	—	—	— 191.4	—
April	855.0	572.9	—	—	— 282.1	—
May	935.8	606.4	—	—	— 329.4	—
June	776.7	566.2	—	—	— 210.5	—
July	586.9	665.5	—	—	+ 78.6	—
August	494.4	681.6	—	—	+ 187.2	—
September	670.9	654.1	—	—	— 16.8	—
October	874.0	717.0	—	—	— 157.0	—
November	1,059.9	736.7	—	—	— 323.2	—
December	1,219.9	835.0	—	—	— 384.9	—
1925						
January	1,209.8	706.4	—	—	— 503.4	—
February	1,014.3	639.7	—	—	— 374.6	—
March	970.7	719.0	—	—	— 251.7	—
April	929.8	680.8	—	—	— 249.0	—
May	934.1	739.7	—	—	— 194.4	—
June	945.2	697.0	—	—	— 248.2	—
July	1,081.2	754.9	—	—	— 326.3	—
August	1,112.5	736.5	—	—	— 376.0	—
September	994.7	789.4	—	—	— 205.3	—
October	1,014.6	858.1	—	—	— 156.5	—
November	809.2	802.9	—	—	— 6.3	—
December	727.9	806.0	—	—	+ 78.1	—
1926						
January	686.0	807.3	—	—	+ 121.3	—
February	642.1	794.6	—	—	+ 152.5	—
March	625.9	936.9	—	—	+ 311.0	—
April	698.1	791.0	—	—	+ 92.9	—
May	685.5	739.8	—	—	+ 54.3	—
June	770.0	769.8	—	—	— 0.2	—
July	899.8	832.7	—	—	— 67.1	—
August	897.2	843.0	—	—	— 54.2	—
September	806.2	845.0	—	—	+ 38.8	—
October	966.7	887.8	—	—	— 78.9	—
November	974.2	882.4	—	—	— 91.8	—
December	1,038.7	829.9	—	—	— 208.8	—

Month	Imports	Exports	Deliveries in kind under the Experts' Plan	Total exports (column 3 and 4)	+ Surplus — Deficit			
					columns 2 and 3	columns 2 and 5		
	1	2	3	4	5	6	7	
in millions of reichsmarks								
1927								
January	1,060.4	804.0	29.9	833.9	— 256.4	— 226.5		
February	1,059.4	761.3	44.6	805.9	— 298.1	— 253.5		
March	1,052.4	847.5	60.4	907.9	— 204.9	— 144.5		
April	1,061.2	805.1	36.2	841.3	— 256.1	— 219.9		
May	1,135.8	845.6	47.1	892.7	— 290.2	— 243.1		
June	1,157.9	758.3	38.3	796.6	— 399.6	— 363.3		
July	1,235.8	859.3	45.0	904.3	— 376.5	— 331.5		
August	1,118.4	880.5	50.7	931.2	— 237.9	— 187.2		
September	1,133.6	946.6	56.0	1,002.6	— 187.0	— 131.0		
October	1,202.9	976.2	59.4	1,035.6	— 226.7	— 167.3		
November	1,246.3	926.5	57.9	984.4	— 313.8	— 261.9		
December	1,228.0	968.2	50.2	1,018.4	— 259.8	— 209.6		
1928								
January	1,316.3	874.8	53.5	928.3	— 441.5	— 388.0		
February	1,209.6	956.1	52.4	1,008.5	— 253.5	— 201.1		
March	1,192.6	1,036.5	57.9	1,094.4	— 156.1	— 98.2		
April	1,139.7	934.2	59.4	998.6	— 205.5	— 146.1		
May	1,054.4	907.3	49.7	957.0	— 147.1	— 97.4		
June	1,075.1	903.8	43.9	947.7	— 171.3	— 127.4		
July	1,148.1	927.4	57.3	984.7	— 220.7	— 163.4		
August	1,052.9	1,040.7	54.2	1,094.9	— 12.2	+	42.0	
September	1,055.6	1,073.7	62.3	1,136.0	+	18.1	+	80.4
October	1,162.0	1,125.1	60.9	1,186.0	—	36.9	+	24.0
November	1,173.8	1,009.5	58.5	1,068.0	—	164.3	—	105.8
December	1,100.6	977.5	52.9	1,030.4	—	125.1	—	72.2
1929								
January	1,317.7	1,035.6	69.1	1,104.7	— 282.1	— 213.0		
February	1,016.6	920.9	52.4	973.3	— 95.7	— 43.3		
March	1,021.9	930.9	52.6	983.5	— 91.0	— 38.4		
April	1,254.9	1,164.2	66.8	1,231.0	— 90.7	— 23.9		
May	1,121.6	1,098.4	77.4	1,175.8	— 23.2	+	54.2	

Annex I.

Imports of raw materials and half-finished goods and exports of finished goods

Month	Imports of raw materials and half-finished goods	Exports of finished goods	Excess of exports over imports of finished goods
	in millions of reichsmarks		
1926			
January	378	568	469
February	333	564	467
March	332	686	601
April	352	597	504
May	327	548	458
June	388	551	446
July	411	582	475
August	424	571	464
September	442	582	463
October	487	603	442
November	507	578	433
December	562	563	416
1927			
January	565	563	413
February	579	541	379
March	588	601	429
April	554	597	407
May	592	622	412
June	602	559	351
July	602	634	410
August	588	628	406
September	566	693	463
October	593	718	465
November	647	683	450
December	669	709	493
1928			
January	661	632	401
February	695	690	467
March	641	761	520
April	610	682	467
May	567	677	473
June	579	685	496
July	603	689	503
August	550	769	586
September	552	801	614
October	612	703	487
November	609	692	496
December	566	720	529
1929			
January	688	760	545
February	546	690	508
March	563	691	503
April	692	848	649
May	614	801	604

Annex J.

**Sterling, dollar and French franc rates on the
Berlin Bourse¹**

(Weekly averages in absolute figures and in percentages of parity)

Date	£	\$	French franc
1928			
August 31	20.359	99.66	4.195 99.93 16.380 99.59
September 7	20.362	99.67	4.196 99.95 16.385 99.62
September 15	20.357	99.65	4.197 99.98 16.386 99.63
September 23	20.352	99.62	4.196 99.95 16.385 99.62
September 30	20.343	99.58	4.195 99.93 16.395 99.68
October 7	20.357	99.65	4.197 99.98 16.415 99.81
October 15	20.382	99.77	4.202 100.10 16.409 99.77
October 23	20.361	99.67	4.198 100.00 16.395 99.68
October 31	20.354	99.63	4.197 99.98 16.396 99.69
November 7	20.356	99.64	4.199 100.03 16.400 99.71
November 15	20.357	99.65	4.199 100.03 16.399 99.71
November 23	20.353	99.63	4.197 99.98 16.399 99.71
November 30	20.346	99.59	4.194 99.90 16.399 99.71
December 7	20.351	99.62	4.196 99.95 16.393 99.67
December 15	20.354	99.63	4.196 99.95 16.392 99.67
December 23	20.358	99.65	4.194 99.90 16.415 99.81
December 31	20.381	99.76	4.198 100.00 16.434 99.92
1929			
January 7	20.385	99.78	4.202 100.10 16.429 99.89
January 15	20.403	99.87	4.207 100.21 16.443 99.98
January 23	20.401	99.86	4.207 100.21 16.441 99.96
January 31	20.412	99.92	4.210 100.29 16.454 100.04
February 7	20.426	99.98	4.213 100.36 16.464 100.10
February 15	20.459	100.15	4.214 100.38 16.458 100.07
February 23	20.446	100.08	4.213 100.36 16.452 100.03
February 28	20.450	100.10	4.214 100.38 16.461 100.08
March 7	20.449	100.10	4.214 100.38 16.459 100.07
March 15	20.451	100.11	4.215 100.41 16.461 100.08
March 23	20.459	100.15	4.215 100.41 16.462 100.09
March 28	20.459	100.15	4.215 100.41 16.478 100.19
April 6	20.464	100.17	4.217 100.45 16.480 100.20
April 15	20.470	100.20	4.217 100.45 16.477 100.18
April 23	20.471	100.21	4.217 100.45 16.479 100.19
April 30	20.469	100.19	4.217 100.45 16.491 100.27
May 7	20.466	100.18	4.217 100.45 16.485 100.23
May 15	20.457	100.14	4.216 100.43 16.474 100.16
May 23	20.384	99.77	4.203 100.12 16.421 99.84
May 31	20.347	99.60	4.194 99.90 16.400 99.71
June 7	20.337	99.55	4.194 99.90 16.396 99.69
June 15	20.337	99.55	4.195 99.93 16.397 99.70
June 22	20.325	99.49	4.192 99.86 16.398 99.70
June 29	20.341	99.57	4.195 99.93 16.415 99.81

¹ For earlier figures vide the relative annexes of previous Reports.

Annex K.

Money rates in Berlin

(Monthly averages)

Month	Reichsbank discount %	Day-to-day money %	Money at one month %	Private discount %	Bills with a banker's endorsement %	Yield of 8% mortgage bonds %
1924						
October	10.00	15.85	16.20	—	—	—
November ...	10.00	14.78	15.00	—	—	—
December . . .	10.00	11.53	13.32	9.19	—	—
1925						
January	10.00	10.00	11.30	8.31	—	—
February	9.88	10.70	11.93	8.00	—	—
March	9.00	9.00	11.30	8.00	—	—
April	9.00	8.48	10.28	8.00	—	—
May	9.00	8.83	10.50	7.98	8.96	—
June	9.00	8.76	10.64	7.75	8.98	—
July	9.00	9.40	10.85	7.87	9.07	—
August	9.00	9.30	10.95	7.68	9.00	—
September	9.00	8.94	10.73	7.18	8.83	—
October	9.00	9.61	10.72	7.09	8.92	—
November	9.00	8.70	10.73	6.77	8.70	—
December	9.00	8.40	10.37	6.75	8.60	9.90
1926						
January	8.32	7.29	9.28	6.27	7.76	9.52
February	8.00	6.10	7.44	5.46	7.03	8.88
March	7.85	5.61	6.77	5.00	6.56	8.47
April	7.00	4.93	6.13	4.86	5.80	8.13
May	7.00	5.15	6.00	4.69	5.40	8.16
June	6.60	4.83	5.87	4.52	5.16	8.15
July	6.08	5.09	6.02	4.53	5.17	8.12
August	6.00	5.11	5.91	4.61	5.18	8.08
September	6.00	5.12	6.36	4.88	5.42	8.06
October	6.00	5.04	6.30	4.84	5.30	8.05
November	6.00	4.85	6.47	4.63	5.08	8.01
December	6.00	6.02	7.46	4.72	5.35	7.89

Month	Reichsbank discount %	Day-to-day money %	Money at one month %	Private discount %	Bills with a banker's endorsement %	Yield of 8% mortgage bonds %
1927						
January	5.28	4.60	6.42	4.20	4.62	7.76
February	5.00	5.33	5.95	4.22	4.35	7.74
March	5.00	5.29	7.40	4.59	4.86	7.80
April	5.00	5.83	7.13	4.62	4.86	7.79
May	5.00	6.35	7.69	4.90	4.99	7.84
June	5.75	6.03	8.28	5.39	5.76	7.93
July	6.00	7.36	8.50	5.90	6.18	7.93
August	6.00	5.78	8.22	5.82	6.09	7.99
September	6.00	6.09	8.35	5.90	6.19	7.98
October	6.92	7.31	8.69	6.69	7.09	8.03
November	7.00	6.12	8.77	6.76	7.25	8.18
December	7.00	7.23	9.07	6.87	7.34	8.18
1928						
January	7.00	5.35	8.06	6.27	6.88	8.15
February	7.00	6.61	7.72	6.20	6.67	8.16
March	7.00	7.08	7.98	6.72	6.93	8.20
April	7.00	6.89	8.00	6.70	6.92	8.21
May	7.00	6.98	8.00	6.66	6.94	8.22
June	7.00	6.47	8.04	6.62	6.90	8.23
July	7.00	7.49	8.29	6.74	7.00	8.23
August	7.00	6.10	8.45	6.69	6.93	8.24
September	7.00	6.62	8.76	6.64	6.95	8.26
October	7.00	6.90	8.57	6.57	6.95	8.27
November	7.00	6.81	8.35	6.28	6.80	8.29
December	7.00	7.39	9.00	6.28	6.96	8.27
1929						
January	6.67	5.25	7.72	5.80	6.34	8.28
February	6.50	6.39	7.45	5.80	6.22	8.30
March	6.50	7.14	7.81	6.31	6.57	8.31
April	6.70	6.91	8.19	6.63	6.94	8.37
May	7.50	9.36	9.80	7.49	8.59	8.47
June	7.50	8.08	10.13	7.50	8.24	

Annex L.**Money rates in Berlin (weekly averages) and credits (bills and loans against collateral) of the Reichsbank¹**

Date	Reichsbank-discount %	Day-to-day money %	Money at one month %	Private discount %	Bills with a banker's endorsement %	Bills and loans against collateral of the Reichsbank ² %
1928						
August 31	7.00	6.58	8.63	6.75	7.00	2,737
September 7	7.00	7.54	8.71	6.64	6.93	2,440
September 15	7.00	5.93	8.70	6.63	6.89	2,185
September 23	7.00	6.50	8.75	6.63	7.00	2,069
September 30	7.00	6.96	8.88	6.69	7.00	2,691
October 7	7.00	7.94	8.75	6.58	6.98	2,418
October 15	7.00	6.43	8.54	6.50	6.86	2,177
October 23	7.00	6.96	8.50	6.61	6.97	1,995
October 31	7.00	6.68	8.50	6.61	6.97	2,444
November 7	7.00	7.75	8.50	6.38	6.92	2,217
November 15	7.00	6.29	8.27	6.25	6.77	1,949
November 23	7.00	6.67	8.25	6.25	6.72	1,796
November 30	7.00	7.00	8.38	6.25	6.81	2,382
December 7	7.00	8.38	8.50	6.25	6.92	2,158
December 15	7.00	7.11	9.03	6.25	6.95	1,947
December 23	7.00	7.08	9.25	6.29	7.00	1,972
December 31	7.00	7.38	9.31	6.38	7.00	2,854
1929						
January 7	7.00	6.00	8.10	6.08	6.73	2,155
January 15	6.79	5.07	7.75	5.89	6.32	1,713
January 23	6.50	5.11	7.63	5.71	6.24	1,589
January 31	6.50	5.36	7.50	5.57	6.18	1,885
February 7	6.50	6.92	7.44	5.63	6.19	1,751
February 15	6.50	5.36	7.39	5.63	6.13	1,525
February 23	6.50	6.57	7.50	5.95	6.25	1,509
February 28	6.50	7.81	7.50	6.13	6.42	2,186
March 7	6.50	8.12	7.50	6.15	6.50	1,924
March 15	6.50	7.71	7.79	6.30	6.50	1,779
March 23	6.50	6.00	8.00	6.38	6.63	1,717
March 31	6.50	6.63	8.00	6.44	6.69	2,488
April 6	6.50	8.10	8.00	6.45	6.70	2,389
April 15	6.50	7.25	8.00	6.45	6.73	2,319
April 23	6.50	5.96	8.00	6.50	6.91	2,357
April 30	7.33	7.04	8.77	7.15	7.43	3,188
May 7	7.50	9.50	9.08	7.46	8.00	3,194
May 15	7.50	9.58	9.58	7.50	8.38	2,889
May 23	7.50	9.73	9.85	7.50	8.75	2,619
May 31	7.50	8.96	10.55	7.50	9.25	3,260
June 7	7.50	8.75	10.54	7.50	8.71	2,970
June 15	7.50	7.43	10.02	7.50	8.21	2,758
June 22	7.50	8.04	9.96	7.50	8.01	2,574
June 29	7.50	8.71	10.00	7.50	8.00	3,195

¹ For the previous figures vide the relative annexes of the previous Reports.² In millions of reichsmarks.

Annex M.

**Weighted share index and quotations of an
8% representative mortgage bond on the
Berlin Bourse¹**

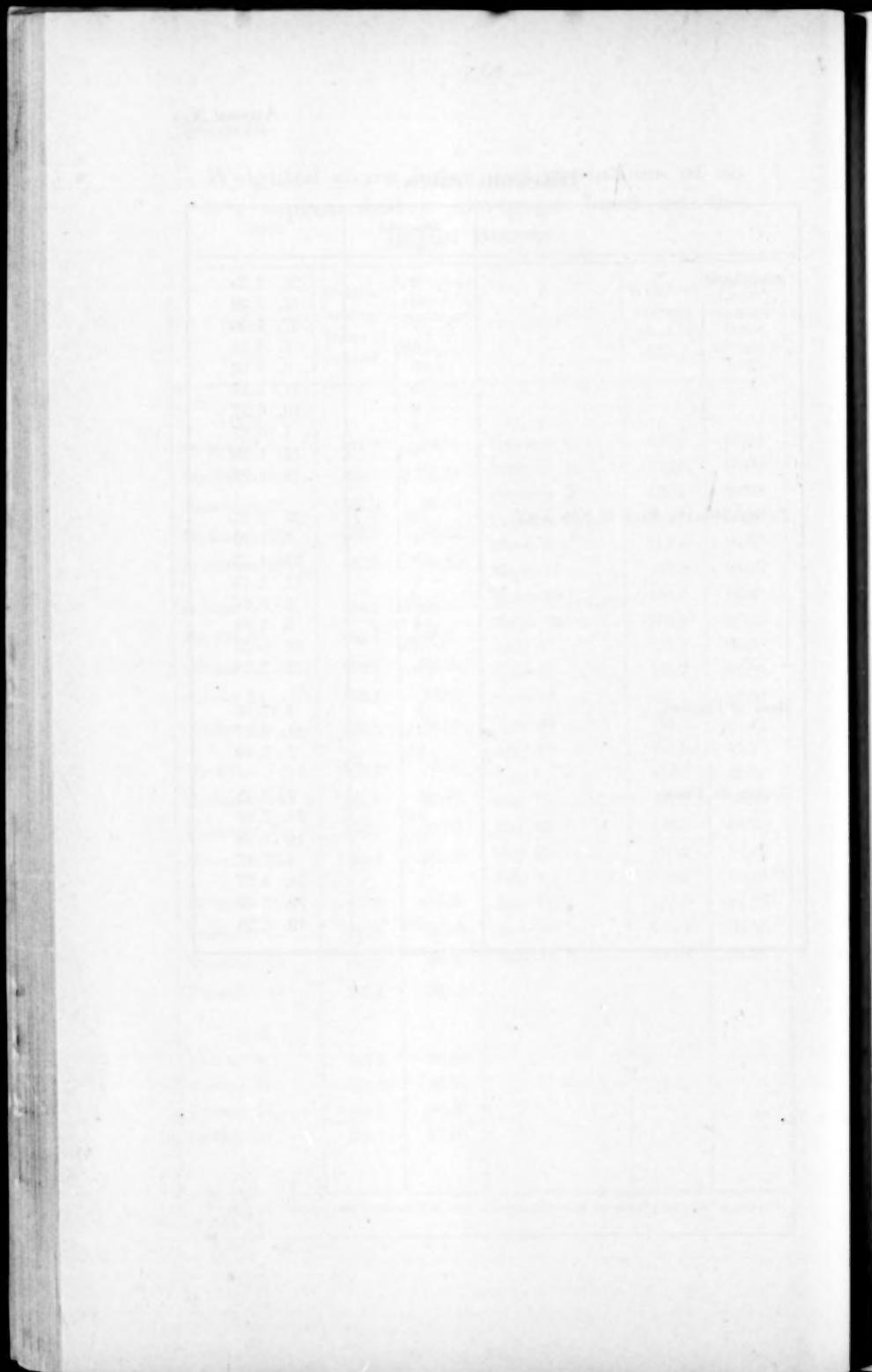
Date	Weighted average prices of shares	Quotations of an 8% representative mortgage bond	Date	Weighted average prices of shares	Quotations of an 8% representative mortgage bond
1928					
August 29.....	164.6	96.50	February 6.....	157.3	96.00
September 5.....	164.7	96.25	February 13.....	156.8	96.00
September 12...	163.5	96.25	February 20.....	157.1	96.00
September 19...	162.7	96.25	February 27.....	152.7	96.00
September 26...	163.5	96.25	March 6.....	154.4	96.00
			March 13.....	152.8	96.00
October 3.....	164.5	96.25	March 20.....	156.8	96.00
October 10.....	161.4	96.25	March 26.....	156.9	96.00
October 17.....	159.7	96.25	April 3.....	158.3	96.00
October 24.....	159.2	96.25	April 10.....	158.7	96.20
October 31.....	159.1	96.25	April 17.....	157.1	96.20
			April 24.....	151.4	95.40
			April 30.....	151.1	95.10
November 7.....	160.2	96.25	May 7.....	152.7	95.00
November 14...	161.8	96.25	May 15.....	147.9	94.50
November 20...	164.1	96.25	May 22.....	149.7	94.25
November 28...	164.1	96.50	May 29.....	150.0	94.10
			June 5.....	158.5	94.25
December 5.....	167.9	96.25	June 12.....	157.9	94.25
December 12...	165.2	96.50	June 19.....	155.3	94.50
December 19...	163.2	96.25	June 26.....	154.6	94.50
December 31...	165.4	96.25			
1929					
January 9.....	164.3	96.50			
January 16.....	161.7	96.50			
January 23.....	158.6	96.00			
January 30.....	158.7	96.00			

¹ For the figures from October 1925 until August 1928 vide the relative annexes of previous Reports.

Annex N.

Discount rates

	Discount (per cent)	Since
Reichsbank	9	26. 2. 25
	8	12. 1. 26
	7	27. 3. 26
	6½	7. 6. 26
	6	6. 7. 26
	5	11. 1. 27
	6	10. 6. 27
	7	4. 10. 27
	6½	12. 1. 29
	7½	25. 4. 29
Federal Reserve Bank of New York . . .	3½	27. 2. 25
	4	7. 1. 26
	3½	23. 4. 26
	4	12. 8. 26
	3½	5. 8. 27
	4	3. 2. 28
	4½	18. 5. 28
	5	12. 7. 28
Bank of England	5	3. 12. 25
	4½	21. 4. 27
	5½	7. 2. 29
Banque de France	6	9. 7. 25
	7½	31. 7. 26
	6½	16. 12. 26
	5½	3. 2. 27
	5	14. 4. 27
	4	29. 12. 27
	3½	19. 1. 28



REPORT No 9
OF THE
COMMISSIONER
FOR THE
GERMAN RAILWAYS

June 28, 1929

Commissariat for the German Railways
Berlin W 8. — Voss-Strasse 35

ОФ. ТЮЗЯ
С. БЕРГМАН
CONTRIBUTION
ЭДИТОР
СТАНДАРТЫ И КРИТЕРИИ

для А. С. Соловьева

Издательство Академии Наук СССР
Москва, 1977 год

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Report No. 9 of the Commissioner for the German Railways to the Reparation Commission.

Berlin, June 28, 1929.

The fourth business year of the Deutsche Reichsbahn Gesellschaft ended on December 31, 1928. The definitive accounts for that year have just been passed by the Managing Board and published in conformity with Article 30 of the Railway Law. The object of the present report is to describe the position of the Company and the reparation payments it has made, and to present a summary of the accounts for the business year with such observations as they suggest, together with the prospects of the current year.

As I stated in my previous report, three members of the Managing Board appointed by the Government of the Reich and three members appointed by the Trustee for the German Railway Bonds retired on December 31, 1928, in conformity with the provisions of Article 13 of the Company's Statutes.

The new members appointed by the Government are Herren Herrmann, Schmitz and Welker. The Trustee reappointed M. Margot and Sir Osborne Mance and in addition newly appointed Dr Silverberg. The Government of the Reich has also elected Herr Jeidels to succeed Dr Luther, who was appointed to the Board by the Government and resigned on December 31, 1928. Annex I shows the new composition of the Managing Board after these changes.

In virtue of Article 19 of the Statutes the General Manager's term of office expired on June 3, 1928. The Board unanimously decided to re-elect Herr Dorpmüller as General Manager for a further period of three years, and the appointment was confirmed by the President of the Reich in conformity with the Statutes.

* * *

General Review.

Development of receipts and traffic.

I will first recall that during 1927, which was a year of great economic activity, the traffic of the Reichsbahn developed in an exceptionally favourable manner: the receipts totalled 5,039 millions, being an increase of 11 per cent as compared with 1926 and 8 per cent as compared with 1925. The receipts from passenger traffic increased by only 4.5 per cent as compared with 1926, but the receipts from goods traffic increased by 14 per cent. If it is remembered that during the ten years preceding the war the receipts of the German railways rose on an average by 5.13 per cent

per annum, it will be realised how satisfactory the 1927 results must be considered, particularly as Germany's position today is in some respects very different from the pre-war position. The annual growth of the population has been reduced by one half and the railway system, which formerly increased by about 800 km. of new lines annually, today remains practically stationary.

In 1928 economic development was far less rapid. Nevertheless, the receipts of the Reichsbahn taken as a whole showed a fresh increase of 2.4 per cent over the previous year. The receipts from passenger traffic alone increased by 4.6 per cent and those from goods traffic by 1.5 per cent. As compared with the Company's first business year (1925) there has been an increase of receipts of 10.5 per cent in three years, which is still equivalent to a satisfactory growth of 3.4 per cent annually.

In considering the traffic results of 1928 and the early months of 1929 it is of interest to deal separately with two distinctly different periods, namely, the period prior to October 1, 1928, and the subsequent period. From January 1 to September 30, passenger traffic, in terms of passenger-kilometers, increased by about 6 per cent as compared with the corresponding period of the previous year; but from October 1 to December 31 traffic remained practically the same as in 1927. During the first four months of 1929 taken as a whole it fell short of the first few months of 1928 by about 5 per cent. From the month of May only there appeared a recovery of about 5 per cent as compared with the preceding year.

In the case of goods traffic the first nine months of 1928 registered an increase of 2 per cent in the tonnage transported, while the last three months showed a decline of 6.9 per cent. This decline was further accentuated in 1929, reaching an average of 10 per cent during the first quarter as compared with 1928.

These figures show that during the last quarter of 1928 there was a certain falling off in traffic, which was accentuated during the early months of 1929. This may be taken as a result of a temporary decline of economic activity in which the exceptional severity of the past winter also played a part. But the most recent traffic returns of the Reichsbahn already bear witness to a certain improvement, particularly in goods traffic since April, which appears to indicate a resumption of the upward tendency of traffic.

On October 1 last a goods tariff increase of about 6.5 per cent came into force. In the case of passenger traffic a revised classification, comprising three classes instead of four, was introduced on October 7. It was estimated that the reform would yield a 3 per cent increase of receipts, while the increase of passenger and goods receipts combined expected from the tariff revision was estimated at 5 per cent. Actually the total receipts of the last quarter of 1928 (1,305 millions) were approximately equal to those realised in 1927 (1,311 millions). Accordingly the tariff increase appears to have been entirely offset by the decline of traffic.

During the first five months of 1929 the receipts totalled 2,089 millions as against 2,018 millions in 1928—an increase of 3.5 per cent, which is proportionately smaller than the tariff increase.

In a special chapter I shall explain the various changes introduced in the passenger and goods tariffs since my last report. The principal feature to which I would draw attention is that, according to the statistics of the Reichsbahn for 1928, the average price paid per passenger-kilometer, including the transport tax, was 33 per cent higher than in 1913. In the case of goods the price paid per ton-kilometer, tax included, was 39 per cent higher. These increases cannot be regarded as exaggerated when it is remembered that the increase in the cost of living was on an average approximately 52 per cent in 1928.

Operating payments and charges upon the Company.

The following table gives a comparison of operating receipts and payments in the first four business years of the Company and in 1913. It also shows the surpluses or net yields of each year, together with the operating coefficient or ratio of expenditure to income. The last line shows for comparative purposes the payments made by the Company for the service of the reparation bonds.

Year	1928	1927	1926	1925	1913
Operating receipts . . .	5,159.2	5,039.3	4,540.8	4,669.0	3,057.7
Operating payments . . .	4,294.3	4,158.8	3,680.6	3,974.8	2,205.2
Operating surplus . . .	864.9	880.5	860.2	694.2	852.5
Operating coefficient . .	83.24 %	82.53 %	81.06 %	85.13 %	72.12 %
Reparation payments . .	658.3	590.5	574.3	332.7	—

The above figures show in the first place that the reparation payments have always been amply covered by the net operating surplus. The reparation payments rose each year, reaching their maximum (660 million gold marks which is equivalent to \mathcal{RM} 658.3 millions at the 1928 exchange rates) in 1928. This maximum represents the standard payments for subsequent years; it corresponds to 12.7 per cent of the total 1928 receipts.

As regards the operating payments of the Reichsbahn, it will be noted that during the last two years they have increased parallel with and even in excess of the growth of receipts. In 1927 when receipts increased by 498 millions payments rose by 478 millions. In 1928 an increase of 120 millions, or 2 per cent, in receipts was accompanied by an increase of 136 millions, or 3 per cent, in payments. This increase is due solely to the expenditure on staff, which has risen by 275 millions, or 13 per cent; on the other hand it has been possible to cut down the payments for materials, upkeep and renewals by 139 millions, thanks to drastic control.

The growth of the expenditure on staff is the result of the various measures adopted to improve the position of the personnel, which are analysed in a special section of this report. I will merely recall that on October 1, 1927, the Company, following the initiative of the Government of the Reich, adopted a general increase of officials' salaries averaging about 15.5 per cent. This increase entailed an additional annual expenditure of

215 millions. On March 27, 1928, the wages of the railway workers were, in turn, raised under an agreement concluded between the Reichsbahn and the Unions. The agreement was denounced by the Unions at the end of February, 1929, a further rise being demanded which has just been granted and will be dealt with elsewhere in this report.

The complete financial results of 1928 are dealt with elsewhere in this report. I will merely state, at this point, that the net operating proceeds amounted to 864.9 millions and were devoted in the first place, in conformity with the provisions of the Railway Law and the Company's Statutes, to the service of the reparation bonds (658.3 millions) and secondly to the service of debts and new loans (2.5 millions). The balance was devoted to building up the reserves, to writing-off and to the payment of the preference dividend. In regard to the reserves, it should be noted that the reserve for writing-off the concession—which is actually the reserve for writing-off the new plant—was increased by only 25 millions in 1928. This sum, as I shall explain elsewhere, is quite adequate although considerably less than the contributions of previous years.

Taken as a whole, despite the savings realised in other quarters on the expenditure for upkeep and renewals, the 1928 budget only just balances and leaves no surplus to be carried forward, leaving aside of course the balance of 173 millions carried forward from previous business years.

This result is not surprising when it is remembered that as early as January 1928 the Managing Board realised the necessity for a tariff increase in order to meet the new charges imposed upon the Company. This increase, which was at first rejected by the Government, could not be introduced until October 1928 after the pronouncement of the award by the Railway Court, which recognised the Company's application as fully justified.

Owing to the delays in reaching this decision, the past business year only benefited from the new tariffs in the last quarter. In these circumstances it is not surprising that there was difficulty in balancing the budget, and the equilibrium was only secured thanks to the vigorous efforts to economise made by the Company and thanks also to the development of traffic during the year, which slightly exceeded the original estimates. It should be added that while awaiting the additional resources to be obtained from the tariff increase, the Company was obliged to postpone certain expenditure in 1928 which will now have to be borne by the business year 1929.

Financial position in 1929.

In its budget estimates for this year the Company calculates that traffic will be approximately the same as last year and, in virtue of the tariff increase, the Reichsbahn reckons with a 5 % increase of receipts, thus making an estimated total of *R.M. 5,370* millions.

The receipts obtained from January 1 to May 31, 1929 have actually, as already stated, yielded an increase of 3.5 %, or less than the estimates.

The estimated receipts as calculated for 1929 are just sufficient to cover the estimated expenditure, which comprises operating expenditure, fixed charges, the service of the reparation bonds, payments to reserves, etc. and also a sum for the cover of expenditure on extensions.

Under operating expenditure the Company has calculated its requirements for the staff as a whole at 2,952.7 millions. This provision is larger than that made in the previous year; it represents 55 per cent of the total receipts and 67 per cent of the total operating expenditure. Although the staff is about the same as in 1913, it is estimated that the cost will be more than doubled.

Elsewhere in this report there will be found more detailed explanations on the estimates for 1929. These explanations show that income and expenditure have been made to balance only with difficulty, and that equilibrium can only be maintained by strict economy, since the estimates leave no margin for additional expenditure.

An unforeseen development does, in fact, already threaten the Company's financial stability. As explained in the section dealing with staff, the Company has just been obliged by an arbitral award, dated May 24, and rendered compulsory by the Minister of Labour of the Reich, to grant its workers an increase in wages which, together with other dependent measures, will involve additional expenditure calculated at some 60 millions. The Company considers it impossible to offset this charge by a further reduction of expenditure, as such further reduction would be incompatible with the necessity of ensuring operating safety, and it has no other solution to offer save a tariff increase. In virtue of the decision taken by the Board at its last meeting, the General Management therefore applied to the Government of the Reich on June 12 for a tariff increase, calculated to yield an additional 10 millions on passenger traffic and 45 millions on goods traffic. The Transport Minister of the Reich replied to the Company on June 26 that he was not in a position at present to make any pronouncement on the application. He considers it necessary to await the further development of the questions arising under the Paris Experts' Plan, which will also affect the future financial organisation of the Company. The Transport Minister will not be prepared to take a definitive stand with regard to the application until after September 15.

Capital expenditure.

The concern of the Company in the matter of finding additional receipts is all the more justifiable as the budget, as balanced for the business year 1929, contains another element of uncertainty, namely the possibility of raising the capital required to cover an important part of the expenditure on extensions.

Detailed information on the financing of the Company's capital expenditure will be found elsewhere. I will here confine myself to mentioning that the expenditure on capital account effected since

the creation of the Company and shown in the 1928 balance sheet amounts to 1,280.8 millions. To this figure must be added the capital expenditure financed out of current operating receipts.

In my previous reports I have already stated that the capital which the Company has been able to raise, in particular by the sale of preference shares, fell far short of this expenditure owing to the difficulties of borrowing. In 1927 all the capital expenditure to a total of 348.5 millions, was covered by the reserves created out of operating surpluses. In 1928 the Company was obliged to limit itself to the issue of 200 millions marks of preference shares in February, which did not suffice to cover the capital expenditure of that year amounting to 285.7 millions. A part of this expenditure had again to be financed out of the operating surplus.

As regards the current year, the state of the German money market has not enabled the Company to raise a loan of any kind up to the present, and it is impossible to say whether the situation will shortly be modified.

Consequently the Company has been compelled to postpone a part of the capital expenditure which it was proposed to effect this year, by restricting such expenditure to the resources actually available. At present these resources are reduced to such funds as can be raised under the operating account, and also in a lesser degree, to the credits offered by the Reich or by third parties for the execution of certain special works. It should be added that, in order to relieve the operating account and thereby to facilitate larger contributions from this account to capital expenditure, the Company has accepted a proposal made by a group of car builders, who have offered to supply freight and passenger cars to the value of 100 million marks for the renewal of rolling stock, this order to be placed immediately while the payment is postponed for three years. The proposal, which the Company has accepted, has hitherto been delayed in taking effect by the financial difficulties with which the German money market has to contend.

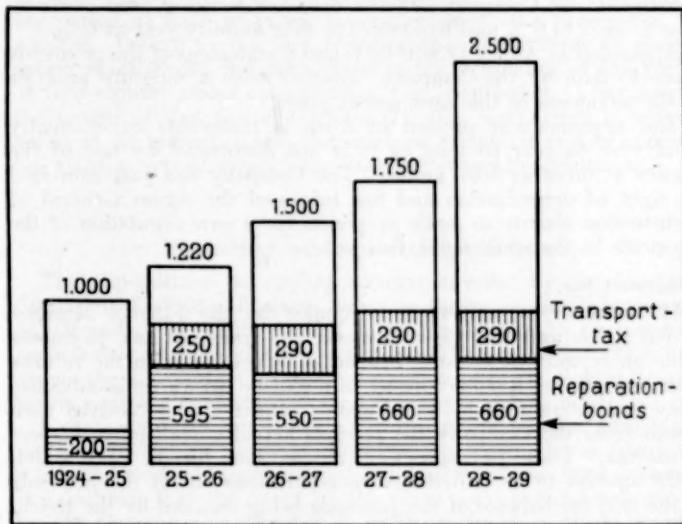
A transaction on similar lines, but involving an amount of only 10 millions, has been concluded with the bridge builders.

* * *

Reparation payments.

The payments of the Reichsbahn on reparation account continued in a normal manner during the first nine months of the fifth Annuity year which have already elapsed (October 1, 1928—September 30, 1929). The Reichsbahn has regularly made the payments imposed by the Plan, that is to say the payment of the proceeds of the transport tax and the service of the reparation bonds.

The following graph illustrates the contribution thus made by the Railway Company during the successive years of application of the Plan to the total annuity paid by Germany.



Part of the Reichsbahn in the Reparation annuity
(in 1,000,000 gold-marks)

The graph shows that the charges to be borne by the Company reached their maximum in the fourth year already and that the fifth year involves no increase of its payments. These payments therefore remain fixed at 290 millions payable out of the proceeds of the transport tax and 660 millions for the service of the reparation bonds, making a total of 950 millions.

Out of this sum the following amounts have already been paid for the first nine months of the fifth annuity year:

Service of railway bonds *R.M* 494,134,795.00
corresponding to *G.M* 495,000,000.00
Transport tax *R.M* 217,303,814.93
corresponding to *G.M* 217,499,999.94
Total *G.M* 712,499,999.94

Reparation bonds.

The service of the reparation bonds amounts to 660 million gold-marks per annum. This sum comprises interest at 5 % plus 1 % for amortisation on the capital of 11 milliards of reparation bonds.

The Experts' Plan provided for the payments of the Company for the service of the bonds to be made in two equal instalments, one at the end of each half year, and the half-yearly payments were accordingly fixed for March 1 and September 1. But, as already explained in my previous reports, agreements concluded in each year between the Company and the Agent General for

Reparation Payments and approved by the Reparation Commission, have substituted monthly payments for the half-yearly instalments.

On the monthly payments made in advance of the half-yearly instalment the Company obtains discount varying from year to year from 5 to 6 % and fixed for the fifth annuity year at 6 %.

Appended as Annex II will be found a statement of the payments made to date by the Company, together with a monthly analysis of the payments in the most recent years.

The agreement at present in force is renewable automatically from year to year so long as it is not denounced by one of the parties at three months' notice. The Company has just exercised its right of denunciation and has informed the Agent General of its intention shortly to make proposals for a new regulation of the payments in the sixth reparation year.

Transport tax.

In virtue of an agreement concluded by the Finance Minister of the Reich and the Agent General the transport tax payments made on reparation account, instead of coinciding with the returns from the tax, are fixed according to a scheme drawn up in advance. They are guaranteed by the Finance Minister who receives each month from the Company the receipts actually realised in respect of the tax. These payments total 290 millions for the year, which is the amount to be contributed to reparations out of the proceeds of the tax, the balance of the proceeds being retained by the Reich.

The sums thus paid by the Finance Minister for the fifth reparation year at present total, as already stated, \mathcal{RM} 217,303, 814.93 The proceeds of the tax for the same period amounted to \mathcal{RM} 229,696,018.10. They amply cover the reparation payments and it may be assumed that the annual contribution of 290 million gold marks will be raised without difficulty from the tax receipts of the year.

During the fourth reparation year (September 1, 1927-August 31, 1928) the total proceeds of the tax, which were only approximately known at the time of writing my last report, amounted to \mathcal{RM} 315,280,181.84. During the Company's fourth business year (January 1, 1928-December 31, 1928) they even amounted to as much as 319 millions. It is evident from these figures that the payment of 290 millions would now seem to be amply covered by the returns from the tax.

Annex III shows the payments made in respect of the transport tax since October 1, 1924, both by the Reich and by the Company.

In my previous report I explained that the reform of passenger classification, which was introduced on October 7, 1928, had an effect upon the transport tax. The 3rd and 4th classes on which the rates of the tax were respectively 12 per cent and 10 per cent were replaced by a single class, denominated 3rd class, on which it was decided to fix the rate of taxation at 11 per cent. The Government of the Reich considered that this arrangement would entail no reduction in the yield of the tax.

It is still too early to judge whether the actual returns have come up to this expectation. As the yield of the tax on passenger

traffic is calculated for periods of four months it is only possible to compare the yield for the last four months of 1928 when the tax represented 10.5 per cent of the receipts, with the corresponding period of 1927 when the tax represented 10.3 per cent of the receipts. Owing to the fact however that the reform of classification in 1928 did not take place at the beginning of the period of four months under consideration (*i. e.* September 1) but only in the course of this period (October 7), this comparison is only of value as an indication, all the more so in that it covers a period too short to afford ground for drawing general conclusions.

* * *

Financing of Capital Expenditure.

The expenditure on capital account effected by the Company during its first four business years is shown in the balance-sheet on December 31, 1928 at *Rℳ* 1,280.8 millions. In my previous reports and particularly in the report of December 2, 1928 I have shown the distribution of such expenditure over the several business years, analysed according to the Company's budget headings.

I shall complete this information by giving another analysis of the expenditure in question, showing the value of the plant and material by which the assets of the Railway have been increased. It is known that the value of the plant and material taken over by the Company on October 1, 1924 at the time of its creation was estimated at 24,500 millions, so that with the additions since made by the Company the present value now totals 25,780.8 millions. It is distributed, in conformity with the estimates made by the Company for the period prior to October 1, 1924 and according to the amount of expenditure incurred for the subsequent period, in the following manner:

Value of plant and material owned by the German Railway Company

Nature of plant and material	Value of plant and material in 1000 reichsmarks		
	On October 1, 1924	Increase from October 1, 1924 to December 31, 1928	Total as at December 31, 1928
I. Land Sites	1,867,718	73,732	1,941,450
II. Embankments etc.	2,752,337	116,860	2,869,197
III. Fencing	51,780	1,902	53,682
IV. Road crossings	898,257	73,399	971,656
V. Culverts and bridges	1,347,442	77,189	1,424,631
VI. Tunnels	310,861	10,762	321,623
VII. Superstructure	5,608,681	237,687	5,846,368
VIII. Electric traction	35,366	100,448	135,814
IX. Telegraph, telephone, etc.	306,357	35,509	341,866
X. Stations	3,217,086	252,413	3,469,499
XI. Workshop plant	535,385	107,849	643,234
XII. Miscellaneous plant	399,390	11,454	410,844
XIII. Rolling stock	7,169,340	181,610	7,350,950
Together	24,500,000	1,280,814	25,780,814

These assets held by the Reichsbahn are offset on the one hand by the charges and obligations imposed upon the Company at its creation in exchange for the concession of operating rights, and on the other hand by the debts subsequently contracted in order to finance expenditure on extensions.

The engagements assumed by the Company are represented on the liabilities side of the balance-sheet by the following items which constitute the initial capital:

	Initial value
Ordinary shares	13,000 millions
Preference shares, the proceeds of which go to the Reich	500 >
Reparation bonds	<u>11,000</u> >
	24,500 millions

If to the above sum are added the debts contracted and the other means employed by the Company in order to procure fresh capital, the following table is obtained, summarising the financing of the undertaking up to the present day:

	Initial capital on October 1, 1924	Capital raised between October 1, 1924 and December 31, 1928	Total on December 31, 1928
Ordinary shares	13,000,000	—	13,000,000
Preference shares			
a) the proceeds of which go to the Reich	500,000	—	500,000
b) the proceeds of which go to the Company (amount issued)	—	581,000	581,000
Reparation bonds	11,000,000	—	11,000,000
Credits of the Reich			
a) to combat unemployment	—	80,000	80,000
b) to continue the construction of lines already begun	—	48,548	48,548
Loans of the States, communes, etc. for the execution of works	—	48,847	48,847
Balance covered by the profits of the Company	—	522,419	522,419
Together	24,500,000	1,280,814	25,780,814

* * *

Financial results of operation.

The accounts and the closing balance-sheet for the business year 1928 were recently approved by the Managing Board at a meeting held on May 29 last.

The accounts were closed as usual after being audited by the Hauptprüfungsamt, a supervising department of the Company which is entirely independent of the services audited. In addition Professor Schmalenbach of Cologne and Herr Susat, director of the Deutsche Revisions- und Treuhand-Aktien-Gesellschaft, were appointed by the Managing Board to enquire into the conformity of the accounts with the provisions of the Railway Law and the Company's Statutes. The report of the Hauptprüfungsamt and the report of Professor Schmalenbach and Herr Susat were submitted to the Managing Board prior to its acceptance of the accounts.

Annexes IV, V and VI reproduce the following documents in the customary manner:

Operating account for the business year 1928, Profit and loss account for the business year 1928, Balance-sheet as at December 31, 1928.

In commenting upon these various accounts I have elected to compare them with the corresponding accounts for previous business years, in order that a general insight into the results obtained by the Company since its creation may be secured. For purposes of comparison I am also giving the results obtained during the period immediately preceding the war within the present territorial frontiers.

The receipts for the business year 1928 show an increase of 2.4 per cent as compared with 1927. By comparison with 1925 they have increased by 10.5 per cent, which is equivalent to an annual increase of 3.4 per cent in three years and may be considered satisfactory.

The railway experts who collaborated in the drawing-up of the Dawes Plan estimated the total receipts of the Company in the first business year at $\mathcal{R}M$ 4,000 millions. It is evident from the receipts actually realised— $\mathcal{R}M$ 4,669.0 millions in 1925 and $\mathcal{R}M$ 5,159.2 millions in 1928—that the estimates have been amply fulfilled and exceeded.

The growth of receipts from 1925 to 1928 is almost entirely derived from goods traffic. The passenger traffic receipts in 1928 scarcely exceed those of 1925.

The operating payments totalling $\mathcal{R}M$ 4,294.3 millions show an increase of 8 per cent in three years, or 2.6 per cent per annum. It should be noted that this increase is confined entirely to the payments for staff which have grown by 17.6 per cent in three years.

Operating account.

Year	1928	1927	1926	1925 *	1913
(in millions of reichsmarks)					
Receipts.					
Passenger traffic	1,443.3	1,379.6	1,320.2	1,430.7	904.0
Goods traffic	3,276.4	3,226.4	2,830.6	2,868.7	1,927.0
Various receipts	439.5	433.3	390.0	369.6	226.7
Total	5,159.2	5,039.3	4,540.8	4,669.0	3,057.7
Payments:					
<i>I. Payments for Traffic and Maintenance.</i>					
a. Payments to staff.					
Salaries of officials	1,205.9	1,068.4	1,043.4	1,064.8	
Wages of employees and workmen of Traffic Department	459.8	399.6	348.8	353.4	
Pensions and retaining pay, pensions of other persons having claims on the Company	482.2	424.0	418.5	405.6	
Other payments on account of staff	297.1	286.1	264.8	240.0	
Total	2,445.0	2,178.1	2,075.5	2,063.8	1,350.2
Less: General expenses for renewal and extension of plant	80.1	88.6	64.2	53.5	
Balance a: Payments to staff	2,364.9	2,089.5	2,011.3	2,010.3	
b. Payments for material.					
Consumption of coal and other working materials, maintenance of furniture and equipment	449.9	440.1	394.1	418.7	
Maintenance of permanent way and structures	285.1	308.5	284.4	343.3	
Maintenance of rolling stock	472.2	542.0	487.2	618.2	
Other payments for material	108.5	97.6	89.6	97.2	
Total	1,315.7	1,388.2	1,255.3	1,477.4	855.0
Less: General expenses for renewal and extension of plant	34.4	39.8	42.8	35.6	
Balance b: Payments for material	1,281.3	1,348.4	1,212.5	1,441.8	
Total payments for operating and maintenance (a + b)	3,646.2	3,437.9	3,223.8	3,452.1	
<i>II. Payments for Renewals.</i>					
Renewal of furniture and equipment	2.2	2.2	4.0	21.2	
Renewal of permanent way, structures and buildings	392.5	479.3	375.4	353.4	
Renewal of rolling stock	253.4	239.4	77.4	111.9	
Extension in lieu of renewal	—	—	—	36.2	
Total payments for renewals	648.1	720.9	456.8	522.7	
Grand total of operating payments (I and II)	4,294.3	4,158.8	3,680.6	3,974.8	2,205.2
Operating surplus	864.9	880.5	860.2	694.2	852.5
Operating coefficient	83.24%	82.53%	81.06%	85.13%	72.12%

*) The business year 1925 covered 15 months, but to facilitate comparison the figures quoted have been confined to the calendar year.

On the other hand payments for material and payments for renewals with a total of 1,929.4 millions in 1928 are slightly below the 1925 total of 1,964.5 millions. The Company has suffered from the effects of higher prices for materials; added to this, the payments for material include the wages of the workers employed on the permanent way and in the workshops, and these—like the other payments for staff—have also undergone an increase. The fact that the total expenditure has been kept down to the same level and even slightly reduced must be attributed in the first place to the rationalisation methods adopted and to the economical spirit in which the Company has managed its affairs.

Amongst the payments for material, for example, there has been a certain reduction in the case of maintenance of the permanent way and structures and maintenance of rolling stock. On the other hand the item "consumption of coal and other working material, and maintenance of furniture and equipment" shows a slight increase. This is due to the fact that practically two-thirds of this item represent payments for coal, and in 1928 coal prices—which fell in neighbouring countries—rose on the German market. The Reichsbahn has therefore had to face an increase of expenditure whereas the railways in neighbouring countries in general secured important reductions of their coal payments in 1928.

It has also to be noted that the economies effected in the management of the Company were not realised at the expense of the efficient upkeep of the system. The Company has taken precautions each year not to allow its expenditure on renewals to fall below the minimum which is considered essential in proportion to the volume of plant and material. In my last report I explained the manner in which this minimum is calculated, and I pointed out that the bases of this calculation ensured a renewal of plant quite as adequate as on the neighbouring railway systems.

It should be added however that when the Company took over the system after the war and inflation, it was faced with arrears in the upkeep of the permanent way which have to be made up at the present day. The inevitable restrictions of expenditure have obliged the Company to make up these arrears less rapidly than it desired.

The Company's operating account as shown in the preceding table is based on the distinction between payments for staff and payments for material, whereas most railways prefer to classify their expenditure differently and generally distinguish between expenditure incurred for actual operation and that devoted to the upkeep of plant. The Reichsbahn has already recognised the disadvantages of the classification now used and proposes, in the new system of accounting which is being prepared, to divide expenditure under more appropriate headings somewhat on the lines ordinarily adopted by foreign railways.

Profit and loss account.

The operating surpluses realised by the Company during the various business years have been utilised as follows:

Year	1928	1927	1926	1925 (12 months)	1913
	(in 1000 reichsmarks)				
Service of reparation bonds:					
a) Interest.....	545.1	553.8	574.3	332.7	
b) Amortisation	113.2	36.7	—	—	450.3
Service of new debts and loans.....	2.5	2.1	0.1	—	
Legal reserve (2 per cent of receipts)	103.2	100.8	90.8	93.4	—
Dividend on preference shares issued	75.7	61.6	40.4	3.0	—
Reserve for writing off concession...	25.0	120.0	70.0	114.6	—
Extraordinary expenditure on exten- sions	—	—	—	—	294.0
Profits paid over to the State	—	—	—	—	108.2
Reserve for execution of programme of constructional work	—	—	70.0	—	—
Carried forward	0.2	5.5	14.6	150.5	—
Together...	864.9	880.5	860.2	694.2	852.5

In 1928 the Company paid for the service of the reparation bonds $\mathcal{R}M$ 545.1 millions for interest and 113.2 millions for amortisation, making a total of $\mathcal{R}M$ 658.3 millions. This total represents the equivalent of $G.M$ 660 millions according to the exchange rate for the various payments; that is to say that, as the mark was generally above par during the year, the Company realised a profit on its payments of 1.7 millions. This calculation does not include the discount by which the Company has also benefited by making monthly payments in anticipation of the half-yearly instalments. This discount brought the Company a further 7.3 millions which are included in the miscellaneous receipts of the operating account.

From the above table it will be seen, by comparing the service of the reparation bonds in 1927 and 1928, that the part of the annuity devoted to amortisation increases as the interest payments diminish as a result of the redemption of the capital. The reports of the Trustee for the Railway Bonds have explained the system governing the distribution of the annuity.

The service of debts and loans corresponds to the sums paid each year to the Reich in respect of interest and amortisation of the two loans granted to the Company. In my previous reports

I stated that one of these loans totalling 80 millions was utilised for works intended to combat unemployment, while the other to an amount of 53.3 millions (of which 48.5 millions had been utilised at the end of 1928) is devoted to the completion of certain new lines begun before the creation of the Company.

In conformity with Article 25 of the Statutes the contributions to the legal reserve are calculated at the rate of 2 per cent of the gross operating receipts and vary each year in proportion to these receipts. The legal reserve thus constituted amounted at the end of 1928 to 408.2 millions, and in the course of 1929 it will probably reach the maximum of 500 millions prescribed by Article 25. From then onwards and so long as no calls are made upon this reserve, the Company will be able to suspend the payments in question. Accordingly the Company will be relieved of a burden of some 100 millions per annum, and the funds thus released can then be devoted to other purposes.

The reserve for writing off the concession was credited in 1928 with a sum of 25 millions, which is much below the sums assigned in previous years. I shall discuss this reserve and the reasons for considering it to be adequate elsewhere in this report.

The balance carried forward to the next business year is very small, amounting to 0.2 millions. To this of course must be added, as will be seen in Annex V, the sums carried forward from previous business years to a total of 173.2 millions. The business year 1928 therefore closes under somewhat precarious conditions: the operating surplus is sufficient to cover the charges, including amortisation and the preference dividend, but leaves no surplus to be carried forward.

This result is not surprising if it is remembered that in January 1928 the Managing Board realised the necessity for a tariff increase in order to meet the fresh charges imposed upon the Company. The application for a tariff increase unofficially made to the Government at that date had no material results until the beginning of October, so that the business year only benefited by the new tariffs during the last three months. In the circumstances it is not surprising that there was a certain amount of difficulty in balancing the budget, and the fact that it has been possible to do so is due to the vigorous efforts of restriction and economy made by the Company, and also to the larger receipts realised which normally could not be reckoned with in the original estimates.

I shall deal elsewhere with developments during the first few months of the business year 1929.

Balance sheet.

Assets.

Year	1928	1927	1926	1925
	in 1,000 reichsmarks			
Assets				
Concession in respect of the original property taken over (less legal writing off)	24,350.1	24,463.3	24,500.0	24,500.0
Concession in respect of increases of plant	1,280.8	995.1	646.6	239.0
Working supplies	310.6	407.5	439.0	485.4
Cash in hand	76.9	66.1	8.6	144.2
Credit balances with banks	532.8	374.1	532.1	344.6
Securities	165.2	171.6	38.5	—
Bills	0.5	1.0	125.0	—
Claims { on traffic receipts account	18.7	11.4	20.1	20.8
Claims { on insurance and welfare organisations	0.2	0.1	0.1	0.9
Claims { other claims	76.7	77.0	61.1	96.5
Temporary accounts	77.3	54.4	54.9	—
Holdings in other undertakings	17.6	16.5	8.0	6.5
Total	26,907.4	26,638.1	26,434.0	25,837.9

The first item of the balance sheet, "concession in respect of the original property taken over", represents the value of the usufruct of the concession granted to the Company. It constitutes the counterpart of the three items on the liabilities side of the balance sheet representing the engagements assumed by the Company, namely "ordinary shares", "preference shares, the proceeds of which go to the Reich" and "reparation bonds".

In proportion as the Company redeems the reparation bonds under the conditions previously described it has also to carry out the parallel amortisation of the item "concession in respect of the original property taken over". At the end of 1928 amortisation under this heading totalled 149.9 millions.

The next item on the assets side "concession in respect of increases of plant", represents the expenditure on extensions effected by the Company since its creation. In the chapter dealing with the financing of capital expenditure I have already indicated how the figure of 1,280.8 shown in the 1928 balance sheet is reached,

and I have indicated the principal categories of expenditure to which it relates. I may add that there was an increase in this figure in 1928 of 285.7 millions.

The working supplies show a further reduction by comparison with previous years, thus affording evidence that the Company is effectively continuing its efforts to obtain a reduction by means of better utilisation. The supplies are valued with the prudence essential to every business undertaking. In addition the total reached in these valuations is reduced still further before its inclusion in the balance sheet, so that it constitutes something in the nature of a latent reserve with which to meet unforeseen requirements. In 1927 the reduction represented 10 per cent of the value of the supplies and amounted to some 40 millions. In 1928 the same percentage applied to the existing supplies represented a reduction of about 30 millions; but the Company preferred to increase this figure by 10 millions in order to maintain the 40 million reduction of the previous year.

The resources of the Company represented by the combined items "cash in hand", "credit balances with banks", "securities" and "bills" amount to 775.4 millions, being an increase of 162.6 millions by comparison with the previous year. The greater part of this increase represents the growth of the legal reserve which rose by 103.2 millions. The financial position of the Company is therefore steadily improving as the legal reserve increases.

The securities held are valued at their quotation on December 31, 1928, or (where their purchase price is less) at the purchasing prices in force. The decline of this item by comparison with the previous year is largely due to the fall of quotations. Taking into account the losses of previous years, the depreciation of the securities held by comparison with their original purchasing price is equivalent at the end of 1928 to 12.5 millions.

The "claims" shown in respect of the item "on traffic receipts account" comprise the approximate balance still to be received by the Reichsbahn in respect of traffic during the business year 1928 after settlement of the accounts with other German or foreign railways. The difference which the final adjustment may yield in favour of the Company by comparison with the approximate estimate will be included in the receipts for the business year 1929, in the same way as 1928 benefited by an additional 6.6 millions of receipts derived from the final adjustment for 1927.

The "claims" in respect of "insurance and welfare organisations", like the "debts" relating to the same organisations shown on the liabilities side of the balance sheet, represent the balances at the close of the year in the accounts of these organisations with the Reichsbahn, which acts as cash office for them.

The miscellaneous claims chiefly represent the following transactions:

	millions of R.M.
Loans for constructional work intended to facilitate the construction of dwelling houses for the staff	83.6
Loans to the Walchensee and Mittlere Isar power stations, in execution of the agreements with these stations for the supply of current	31.5
Various small loans	2.5
Balances outstanding in respect of various receipts not connected with traffic, such as rents, payments for work done by the Company on behalf of third parties, etc.	2.8
Various advances granted on behalf of third parties, or for other reasons	20.1
Total	140.5

From this total must be deducted the writings-off already effected for the most part in previous years in order to allow for difficulties in the recovery of certain of these claims, or reductions granted to the borrowers in regard to interest on and redemption of their debts, particularly in the case of loans for constructional work.

These writings-off amount to 63.8

Thus reducing the value of the miscellaneous claims to 76.7

In its balance sheet for 1928 the Company has abolished the special item showing the advance payment on the preference dividend made during the year and has included the sum in question in the temporary accounts. In order to facilitate comparison the same change has been made in the balance sheet figures of the previous years shown in the previous table.

The increase of 1.1 million in the "share holdings in other undertakings" is due to some purchases of secondary importance made in order to increase the proportion of the Company's shareholding.

The following are the most important of the Company's shareholdings:

Name of undertaking	Capital (reichsmarks)	Percentage of capital held directly or indirectly by the Reichsbahn
Deutsche Verkehrs Kredit Bank, Berlin	4,000,000	76.27 %
Transcontinent, Zürich	1,747,500	80.0 %
Mitropa, Berlin:		
shares	10,560,000	91.9 %
bonus shares	8,256,000	65.9 %
Bach concern, Ziebingen	1,800,000	90.0 %

Liabilities.

Year	1928	1927	1926	1925
	in 1,000 reichsmarks			
Liabilities				
Ordinary shares.....	13,000.0	13,000.0	13,000.0	13,000.0
Preference shares:				
a) the proceeds of which go to the Reich	500.0	500.0	500.0	500.0
b) the proceeds of which go to the Company	581.0	381.0	381.0	124.0
Reparation bonds (less legal amortisation)	10,850.1	10,963.3	11,000.0	11,000.0
Legal reserve	408.2	305.0	204.2	113.4
Working reserve	756.1	756.1	756.1	756.1
Reserve for writing of concession...	365.0	340.0	220.0	150.0
Reserve for execution of programme of constructional work.....	—	—	70.0	—
Debts:				
Caution moneys and suspense accounts	4.8	4.1	4.9	28.6
Credits from the Reich:				
to combat unemployment	80.0	80.0	58.0	—
for completion of suspended construction of lines	48.5	28.7	5.7	—
Insurance and welfare organisations	3.3	5.0	10.9	5.7
Miscellaneous	61.4	40.0	15.1	4.0
Net profit	249.0	234.9	208.1	156.1
to be distributed as follows:				
— Preference dividend:				
advance payment on series IV and V	(12.3)	(5.3)	(5.3)	—
as yet undistributed (series I, II, III and balance of series IV and V)	(63.4)	(56.4)	(35.1)	(3.0)
— Carried forward	(173.3)	(173.2)	(167.7)	(153.1)
Total....	26,907.4	26,638.1	26,434.0	25,387.9

The first item under liabilities is the capital stock of the Company: the ordinary shares which belong to the Reich remain unchanged from year to year, as do also the 500 millions of preference shares handed over to the Reich.

As the Company issued 200 millions of preference shares in 1928, the amount of the shares, the proceeds of which go to the Company, has increased from 381 millions at the end of 1927 to 581 millions at the end of 1928. Accordingly the total amount of preference shares already issued now stands at 1,081 millions, and the Company still holds 919 millions for issue out of the 2,000 millions of preference shares created in virtue of the Railway Law.

The reparation bonds diminish each year since 1927 by the amounts devoted to amortisation out of the 660 millions paid annually by the Company for the service of these bonds.

I have already referred to the increase of the "legal reserve" by a sum of 103.2 millions corresponding to 2 per cent of the gross receipts for the business year.

The "working reserve" represents the net assets ceded by the Deutsche Reichsbahn concern to the Company in surrendering the railway system on October 1, 1924. This item appeared in the opening balance sheet to an amount of 756 millions and has continued to be entered at this value in the Company's succeeding balance sheets.

The "reserve for writing off concession", the creation of which was decided in the first business year, was originally not assigned to any very definite purpose but was intended among other things to cover the risk of possible losses in the operation of the system. Subsequently the utilisation of the reserve has been more closely defined and restricted, and the Company now regards it as intended solely for the writing off of the new plant introduced for the extension of the system. These extensions are shown among the assets to the value of 1,280.8 millions and the reserve assigned to their writing off amounts to 365 millions or 28.5 per cent of their value. All the extensions are of very recent date—the oldest among them dating back only 4 years at the most, while the most recent have only just been introduced—so that the new plant, which has already been written off to the extent of 28.5 percent, may be calculated as having an average age of about 2 years. When it is remembered that most railways ordinarily allow from 60 to 100 years for obsolescence, it is clear that the Reichsbahn cannot reasonably be reproached with neglecting this question. Further it is quite clear that with a reserve for writing off already so largely endowed, the addition of 25 millions made at the end of the business year 1928 is entirely sufficient.

In addition to certain fairly short-term debts incurred in the course of current operations, such as the "caution moneys and suspense accounts" and the debts to the "insurance and welfare organisations", the Company includes under the item "debts" long-term debts contracted to finance extensions. These debts of a special nature are as follows:

As already explained at the time, the Reich granted two credits to the Company in 1926: the one was intended to finance works to combat unemployment, the sum being 80 millions; the other was designed to facilitate the completion of certain lines already begun, and for this purpose the Company in each year drew the sums required for the work executed. In 1928 the Company received 19.8 millions, thus bringing the total credit up to 48.5 millions. The balance sheet clearly sets forth the two credits in question.

On the other hand, the sum of 61.4 millions shown under the heading of "miscellaneous debts" includes 44.9 millions representing advances made by third parties (generally the States, communes or other corporate bodies) for the purpose of having certain constructional work on tracks or stations carried out by the Company. The terms of interest and amortisation of these loans vary and are

generally advantageous to the Company. The sum of 44.9 millions represents the actual amount of the debt after deduction of the repayments already made. The total amount of the advances received by the Company since its creation is 48.8 millions.

In dealing with the profit and loss account I have already referred to the net profit on the business year.

First results of the business year 1929.

Following the very satisfactory development of receipts during the last few years, from the middle of 1928 onwards certain indications of a decline of economic activity gave rise to the fear that railway receipts would diminish.

There was actually a decline of traffic during the last quarter of 1928 and during January and February 1929, the two last-mentioned months being affected by exceptionally cold weather. But since the beginning of March traffic has maintained a higher average than in 1927, which was already considerably higher than in the preceding year.

Without going into further details on the development of traffic, which will be dealt with elsewhere, I would merely indicate the receipts for the first five months of 1929 together with those of the corresponding months of 1928 for purposes of comparison.

Y e a r	R e c e i p t s (in millions of reichsmarks)				
	January	February	March	April	May
1928	386	381	431	401	417
1929	382	366	458	431	451
1929 as compared with 1928	— 0.9%	— 3.9%	+ 6.3%	+ 7.3%	+ 8.2%

When making comparisons in the above table allowance must be made for the tariff increase introduced at the beginning of October 1928. Assuming that traffic is equal in volume, the 1929 receipts should exceed those of 1928 by about 5 per cent.

In the estimates for 1929 the Company has assumed that traffic will be about the same throughout the entire year, and consequently a 5 per cent increase in receipts making a total of 5,370 millions has been estimated.

In the case of expenditure the Company has estimated its requirements for staff, including workmen on the permanent way and in the workshops, at 2,952.7 millions. This figure is higher than that of 1928 and represents 55 per cent of the total receipts. As I pointed out in my last report, on the big railway systems of the United States the expenditure on staff in 1927 absorbed only 46 per cent of the total receipts after deduction of taxes.

Although the staff is about the same as in 1913, its cost has more than doubled. A comparison of the expenditure estimated for 1929 with that estimated before the creation of the Company in 1924

reveals an increase of about 800 millions. These figures sufficiently bear out the sacrifices shouldered by the Company for the benefit of its staff.

The payments for material, which cover the necessary operation supplies, coal and other materials, and also the payments for upkeep, are estimated at 790.3 millions (or 1,341.7 millions if the wages of workmen on the permanent way and in the workshops are included as is done in the Company's budget). To this must be added 660 millions for renewals.

As regards specially the permanent way, the Company has provided for the complete renewal of 3,500 kilometers, of which 3,100 kilometers represent the renewals to be made in a normal year, while 400 kilometers represent arrears to be made up in conformity with a systematic programme extending over several years.

With regard to rolling-stock I pointed out in my last report that the Reichsbahn still had about 1,800 locomotives and 30,000 freight cars in excess of its traffic requirements. For this reason it was decided to concentrate in 1929 upon the acquisition of passenger rolling stock.

The estimated surplus of receipts over payments suffices to cover the fixed charges (service of reparation bonds, contribution to the legal reserve, preference dividend, etc.) and in addition to assign 113 millions to cover expenditure on extensions.

The expenditure on extensions will be financed on the one hand by the 113 millions provided out of operating receipts and on the other hand by capital resources. A small part of this capital will be derived from credits of the Reich and of third parties offered to the Company for the execution of certain works, while the greater part is to be obtained by means of loans and other financial transactions to be carried out during the business year.

Although income and expenditure for 1929 have thus been balanced, the balance has only been secured with considerable effort and is in some degree precarious, thus calling for special vigilance.

It was not possible to make any important reduction in expenditure which had already been cut down in previous years, particularly in the case of payments for material. Moreover the year 1929 is faced with certain expenditure, postponed from 1928 in the expectation of the tariff increase, which has now become urgent. For this reason the Company's budget is so balanced that there remains no surplus of receipts to meet unforeseen emergencies.

As I shall explain further on in the section of this report dealing with the staff, the Company has just been obliged by an arbitral award rendered obligatory by the Minister of Labour of the Reich, to grant wage increases to its workmen which, together with other supplementary measures, will involve additional expenditure estimated at about 60 millions. Owing to the impossibility of offsetting this fresh charge by further cutting-down of expenditure it is

proposed to cover the cost by a tariff increase. The decision to do so was taken by the Managing Board at its last meeting, and the General Management on June 12 made an application to the Government of the Reich for a tariff increase to provide an additional 10 millions of receipts from passenger traffic and 45 millions from goods traffic. To this application the Transport Minister has made the following reply:

“Berlin, June 26, 1929.

“To the General Manager of the German
Railway Company.

“I am not in a position at present to examine your proposal
“for an increase of railway tariffs in greater detail.

“It is necessary first to await the subsequent development of
“the questions arising out of the Paris Experts' Plan, which
“will inevitably affect the future organisation of the Reichs-
“bahn's finances. After September 15 I shall be prepared to
“define my attitude in the matter.

(signed) Stegerwald.”

The necessity for the Reichsbahn to find fresh receipts is all the more justified by the fact that the 1929 budget as balanced contains another element of uncertainty: namely the raising of the capital upon which the Company is counting to cover a considerable part of the expenditure on extensions.

The state of the German money market has so far prevented the Company from raising any loan since the beginning of 1928. Moreover, the Company has been obliged, while waiting for conditions to improve, to postpone a part of the expenditure in order to ensure that its outlay shall not exceed the resources actually at its disposal.

The necessity of continuing certain new works already begun did not allow of the temporary restriction being confined solely to the expenditure on extensions. The Company has also been obliged to postpone certain expenditure on renewals in particular a part of the rolling-stock orders arranged for the business year. This state of affairs led the German association of car-builders to make proposals to the Company, in virtue of which the orders in question to the value of 100 millions were to be placed immediately, while the payment thereof was to be postponed for three years. The Company accepted this arrangement in principle, but the banks which are to supply the necessary credit to the car-builders have reserved their definitive adhesion owing to the financial difficulties in which the German money market is at present involved.

A similar arrangement but involving the sum of only 10 millions has been definitively established with the bridge builders.

Position of staff.

Numbers.

Since its creation the Company has succeeded in steadily reducing the staff to normal proportions comparable with those of 1913.

The German railways in 1913 (taking the new frontiers) employed 692,714 persons, of whom 263,887 were officials and 428,827 were workers. Following the end of the war there was an enormous influx of staff which was either demobilised or came from the ceded territory. In 1919 the numbers had reached 1,122,505, and even four years later in October 1923 the number was still 1,010,876, representing 429,716 officials and 581,160 workers.

The Government of the Reich then resolved to take drastic measures to re-establish normal conditions, and on October 27, 1923, promulgated a special decree (Abbauverordnung) providing for the dismissal of about 25 per cent of the existing staff. The officials resigning or dismissed were given—according to their age and length of service—a pension, or retaining pay, or an indemnity.

The decree was rigorously enforced, but the dismissals were still far from complete when the German Railway Company was created in October 1924. It was left to the Reichsbahn to complete the task begun by the Government. In December 1924 the numbers had already fallen to 771,193, comprising 340,113 officials and 431,080 workers. Even then the numbers were still too high and the Company has striven to adjust the staff by degrees to actual traffic requirements.

Stable conditions were practically reached in the summer of 1925. Since then the gross totals have not undergone any appreciable change as is shown by the following table. The seasonal fluctuations which take place every year on more or less the same scale are explained by the resumption of constructional works and upkeep in the spring and summer after the slack period in the winter. These fluctuations are confined entirely to the staff of workers. The number of officials, which was far above the normal when the Abbauverordnung was passed, has slowly and steadily declined.

Date	Total	Officials	Workers
1913 (new frontiers)	692,714	263,887	428,827
1919, end of	1,122,505	333,503	789,002
1923 October	1,010,876	429,716	581,160
1924 December	771,193	340,113	431,080
1925 July	727,280	330,189	397,091
1926 January	689,531	324,833	364,698
July	714,066	318,919	395,147
1927 January	656,384	315,451	340,933
July	726,259	313,401	412,858
1928 January	658,649	311,464	347,185
July	724,127	310,665	413,462
1929 January	664,536	309,611	354,925
April	715,140	309,146	405,994

The stabilisation of the staff is even more clearly shown in the following table indicating the average number of officials and workers on the railways in 1913 and during the first four years of the Company's existence.

Year	Total	Officials	Workers
1913 (new frontiers)	692,714	263,887	428,827
1925.....	732,961	331,712	401,249
1926.....	707,570	320,101	387,469
1927.....	704,016	313,672	390,344
1928.....	700,663	310,597	390,066

Salaries and pensions of officials.

I. Salaries. The officials are divided according to their salaries into 17 categories. They are entitled to a housing allowance which varies according to the salary categories and the localities, and to a family allowance of *R.M.* 20 per month per child up to 16 years of age. The latter allowance is also payable for children over 16 years of age in certain cases. The local cost of living bonuses, a privilege hitherto granted to the officials in certain big cities and in the occupied territories, are to be abolished by degrees. It should be added that the railway officials enjoy certain considerable advantages in virtue of the special organisation of the Company, such as travel facilities, special bonuses on results, etc.

The Railway Law of August 30, 1924, guarantees the administrative independence of the Reichsbahn and merely obliges the Company "in fixing the pay and permanent allowances of its officials other than superior officers (leitende Beamte) to take into consideration the position of officials of the Reich".

This principle has always been observed by the Company. Since 1924 the salaries of its officials have on several occasions been revised and adjusted to the salaries of Reich officials and to the general rise in the cost of living.

I will briefly recall the principal increases granted to the Company's officials both in regard to the basic salary and the various allowances attached thereto.

In December 1924 the basic salaries were revised for the first time and remained unchanged until the end of September 1927.

But in the interval the housing allowances were raised on four occasions in proportion to the rise of rents: 10 per cent on April 1, 1925, April 1, 1927, and October 1, 1927, and 5 per cent on April 1, 1926.

At the end of 1927 the Government of the Reich considered that the constant rise of the cost of living justified a revision of the basic salary of its officials. By the law of December 16, 1927, salaries were accordingly raised by 15 to 16 per cent retroactively as from October 1. The Reichsbahn immediately followed the example of the Reich and established a new scale of salaries on January 9, 1928, with retroactive effect as from October 1, 1927, which is in force

at the present day. The basic salaries were raised on an average by 25 per cent (18 per cent in the case of the higher classes and 44 per cent for the lower classes). But owing to the revision of the various allowances, the average increase was reduced to 15.5 per cent.

It is difficult to establish an absolutely accurate comparison between the present salaries and those of 1913, for the classification of the staff under 17 categories did not exist formerly and the basic salaries have been supplemented by a number of allowances which have themselves varied considerably. There has however been a genuine improvement in the position of the staff, if the average 1913 salaries are compared with those of 1928. Before the war the average annual income of a Prussian railway official was 2,110 marks. In October 1924 when the Company was created this income amounted to 3,125 marks, with a real value of 2,180 marks or 103.5 per cent of the 1913 salary. To-day it is 3,883 marks, that is to say its real value is 2,543 marks which is thus equivalent in purchasing power to 120.5 per cent of the pre-war income. It should be noted that this average of 120.5 per cent does not apply to all categories of officials without distinction, and that the increase of salaries has been relatively greater in the lower categories than in the intermediate and higher categories.

The following table shows the successive variations in the annual average salaries, both in their nominal and their real value, since 1924.

Date	Average annual income	Real value	Percentage Nominal value	Percentage Real value
	in Reichsmarks		as compared with 1913	
1913 (Prussia).....	2,110	2,110	100	100
1924 October	3,125	2,180	149	103.5
1926 January 1	3,210	2,258	152	107
1927 September 1	3,260	2,226	154.5	105.5
1928	3,883	2,543	184	120.5

The efforts made by the Company to improve the position of its officials will be fully appreciated when the growth of the expenditure on salaries during the last few years is observed. Prior to the war this expenditure was 556.7 millions per annum; it reached 1,064.8 millions in 1925, 1,043.4 millions in 1926, 1,068.4 millions in 1927 and 1,205.9 millions in 1928. It has therefore increased by 141.1 millions or 13.3 per cent since the Company came into being.

II. Pensions. As I pointed out in my report No. 7 of June 1, 1928, the Reichsbahn has no special fund for the pensions of its officials, and pensions are accordingly paid direct out of the operating receipts as was the case in 1913.

Pensions involve a heavy burden for the Reichsbahn, and it has recently been calculated that this burden will continue to increase

until 1946. The reasons for this increase, which is due largely to circumstances outside the control of the Company and dating from the period prior to its creation, are as follows:

- the larger number of widows and orphans as a consequence of the war;
- the inflation of staff in 1919, followed by the payment of large numbers of pensions or of retaining pay to the officials dismissed after October 1923 in virtue of the *Abbauverordnung*;
- the rise of pensions automatically resulting from the rise of salaries;
- the raising of the maximum pension rate from 75 to 80 per cent and the widows' pension rate from 40 to 60 per cent.

The expenditure on pensions in 1913 was 114 millions. It rose to 405.6 millions in 1925, 418.5 millions in 1926, 424 millions in 1927 and 482.2 millions in 1928. The average annual pension allotted, which was 918 marks in 1913, was 2,060 marks in 1928.

The following table shows the successive variations in the number of pensioners, which has increased by 95 per cent since 1913.

	1913	1925	1926	1927	1928
Pensioners	59,214	89,204	98,595	114,405	116,932
Recipients of retaining pay	13	49,270	38,544	24,502	21,080
Widows	59,431	72,884	75,375	77,891	79,968
Orphans	5,560	31,089	26,874	25,865	24,842
	124,218	242,447	239,388	242,663	242,822

Wages and working hours of workers.

I. **Wages.** The Reichsbahn workers are classified under eight wage categories, of which categories 1 to 6 cover the skilled workmen, category 7 the unskilled workmen and category 8 the women workers.

The workers draw:

1. a basic wage varying according to a) the eight wage categories referred to above, b) three economic regions (Eastern, Central and Western Germany), and c) five local categories;
2. a family allowance of 3 pf. per hour or 27 pf. per working day for a wife and each child under 16 years of age;
3. local cost of living allowances which vary considerably (from 2 per cent to 54 per cent of the basic wage).

Since 1924 the Reichsbahn has always, within the limits of its financial resources, granted increases with the object of adjusting the wages of its workers to the rise in the cost of living, and with a view to maintaining an equality with the wages in private industry. It will suffice to recall the various measures by which wages have been improved, in order to appreciate the considerable sacrifices made by the Company in favour of its staff.

On November 16, 1924, wages were raised by about 9 per cent.

During 1925 the tariffs in force were revised no less than three times. The basic wages were raised by 3 pf. per hour in March, by 1 to 3 pf. in September and by 1 to 2 pf. in December.

Following a period of calm in 1926 the situation changed abruptly in 1927. The industrial boom everywhere gave rise to demands for higher wages which also affected the Reichsbahn. On April 8 an arbitral award decided that the basic wages were to be raised by 4 pf. per hour and by a further 1 pf. as from October 1. In addition the award provided for payment of overtime at 15 to 25 per cent above the normal wage, and a special indemnity of 27 pf. for workers working by shift.

In December of the same year, the Reichsbahn agreed to revise wages in certain districts where the cost of living was particularly high. Thanks to this decision about 57 per cent of the staff benefited by an average increase of 2 pf. per working hour.

In 1928 when the working agreement concluded in April of the preceding year expired, the trade unions demanded a general wage increase of 10 pf. per hour, which the Reichsbahn was obliged to reject in order not to compromise the stability of its budget. An agreement concluded on March 27 between the Company and the unions fixed a general increase of wages of 3 to 6 pf. per hour, and raised the extra pay for overtime uniformly to 25 per cent of the normal wage. The special compensation to workers of the operating services was raised from 27 to 30 pf.

At the end of February 1929 the workers again denounced the agreement which was due to expire and demanded an increase of 6 pf. per hour. The Company declared that it was impossible to agree to expenditure for which no cover was ensured in advance, and that it saw no possibility of financing such an increase out of its own resources. An arbitral award pronounced on May 24 and rendered obligatory by the Minister of Labour and declared valid until March 31, 1931, has however decreed a wage increase of 4 pf. per hour in the economic district I (Eastern Germany) and of 3 pf. per hour in the two other districts (Central and Western Germany).

As a result of these various increases the material position of the German railway workers has very considerably improved. The average wage per hour, which was 42 pf. in 1913, was 85 pf. before the application of the award of May 24, 1929. On that date it had therefore already been increased by 100 per cent in nominal value and represented a purchasing power equal to 133 per cent of the 1913 wage. The successive variations in the average hourly wage of Reichsbahn workers are illustrated in the following table.

Date	Nominal value	Real value Rf	Percentage. Real value as compared with 1913
	Rf		
1913.....	0.42	0.42	100.0
November 25, 1923—March 31, 1924.....	0.46	0.36	85.7
April 1924—September 1924.....	0.56	0.44	104.7
October 1924—March 1925.....	0.63	0.46	109.5
1925 April—September.....	0.69	0.49	116.6
October—December.....	0.71	0.50	119.0
1926 January—June.....	0.72	0.52	123.8
July—December.....	0.73	0.51	121.4
1927 January—June.....	0.75	0.51	121.4
July—December.....	0.78	0.52	123.8
1928 January—June.....	0.85	0.55	132.5
July—December.....	0.85	0.56	133.0

If instead of considering the worker's hourly wage we take his monthly and annual wage, which show the results of the reduction of working hours during the last few years (see below), a similar improvement by comparison with 1913 is apparent. The average annual wage was 1,179 marks in 1913, while prior to the application of the award of May 24, 1929 it was 2,415 marks; that is to say, it had more than doubled in nominal value and was equivalent to 133 per cent of the purchasing power of the pre-war wage. The following table shows the average annual wage with its variations since 1913 and since the creation of the Company.

	Nominal income	Real income	Percentage. Nominal value	Percentage. Real value
1913.....	1,179	1,179	100	100
1926.....	2,035	1,442	173	122
1927.....	2,148	1,455	182	123
1928.....	2,358	1,555	200	132
April 1929.....	2,415	1,573	205	133

II. Reduction of working hours. The maximum working time has been shortened by two important measures:

—for the workers in the workshops by an agreement in April 1927, which reduced the 9 hour day and 54 hour week to an 8½ hour day and 51 hour week;

—for the workers of the operating services by an agreement concluded in 1928 reducing the working week from 60 to 57 hours.

A committee of enquiry into operating safety on the Reichsbahn, which submitted its report in September 1928, stated that the staff was not overtaxed and that it fulfilled its duties with discipline and vigilance. The committee proposed various improvements in detail in the working conditions of the operating staff. The suggestions have received the careful attention of the General Management, which has acted upon them in 1929.

The raising of wages and the reduction of working hours have involved very considerable expenditure to the Reichsbahn. Whereas 543.2 millions sufficed in 1913 for the payment of workers' wages, the sums expended since the creation of the Company have totalled 760.1 millions in 1925, 784.6 millions in 1926, 832.9 millions in 1927 and 925 millions in 1928. There has therefore been an increase of 164.9 millions between 1925 and 1928, that is to say of 21.7 per cent.

The award of May 24, 1929, since made compulsory, will impose an additional expenditure of 43.2 millions upon the Company, to which must be added for the current business year:

5.2 millions for the parallel increase of social charges,

4.6 " in respect of a possible increase in the rates of unemployment insurance,

6 to 10 " to cover expenditure arising out of the 1928 agreement on the reduction of working hours for the workers of the operating services.

The expenditure on wages may therefore be increased by some 60 millions in 1929. In order to cover this fresh expenditure the Company has been obliged to apply to the Government for a proportional increase of tariffs.

Social charges.

The charges for social insurance have also considerably increased during the last few years. Insurance includes:

- legal insurance against sickness, accident, old age and disablement, and unemployment, which is compulsory for the workers, while insurance against accidents is compulsory for the entire staff of the operating services;
- the relief system established by the Reichsbahn itself, which in certain cases supplements the payments made by the State Insurance Offices.

The contributions paid by the Reichsbahn totalled 121 millions in 1928, of which 78.6 millions were for the legal insurance and 42.4 millions for independent relief. The tremendous growth of the social charges will be appreciated from the fact that in 1913 they totalled only 35 millions.

It is of interest to establish a comparison in a general table of the expenditure on staff in 1913 and since 1925. The extent of the efforts made by the Company to improve the living conditions of its staff, while strictly balancing its budget, will thus be more readily grasped.

Y e a r	Officials' salaries	Officials' pensions	Workmen's wages	Social charges	Total (including allowances and various bonuses)
(in millions of <i>R.M.</i>)					
1913.....	556.7	114	543.2	35	1,350.2
1925.....	1,064.8	405.6	760.1	84.5	2,470.5
1926.....	1,043.4	418.5	784.6	107	2,511.3
1927.....	1,068.4	424	832.9	117.8	2,611.5
1928.....	1,205.9	482.2	925	121	2,912.9

* * *

Passenger traffic.

Development of traffic.

As I stated in my previous reports, passenger traffic, after declining in 1926, began to recover in the spring of 1927 under the influence of the improving economic situation. The growth of traffic continued in 1928.

Below will be found the definitive results for that year, compared with those of the preceding years.

Year	1926	1927	1928	1928 as compared with 1927
Passengers transported (in 1000)	1,819,412	1,909,236	2,009,446	+ 5.25
Passenger - kilometers (in 1000)	42,922,387	45,547,898	47,649,043	+ 4.61
Mean distance of transport in kilometers	23.59	23.86	23.71	— 0.63

As compared with 1927 the year 1928 therefore shows an increase of traffic of 5.2 per cent in the number of passengers transported and 4.6 per cent in the number of passenger-kilometers. This is very much the same rate of development as between 1926 and 1927 when the increase was 4.9 per cent in the number of passengers transported and 6.1 per cent in the number of passenger-kilometers.

The 1928 results were more favourable in the case of passenger traffic than in the case of goods traffic which, as I shall show later on, has remained stationary since 1927.

A comparison of the 1928 results with those of 1913 (taking the system within its present frontiers) shows an increase of 27.4 per cent in the number of passengers transported and 30.2 per cent in the number of passenger-kilometers.

The figures in the preceding table show that, despite the more acute competition of other transport undertakings, among which motor transport is the most prominent rival, the passenger traffic of the Reichsbahn has grown steadily during the last few years. It is true that the 1928 results are slightly below those of 1925, but traffic in that year was favourably affected by the exceptional conditions prevailing during the post-inflation period.

In my previous report I explained in detail the development of passenger traffic in the period January-September 1928, during which the number of passenger-kilometers increased by 6.0 per cent by comparison with 1927. During the summer holidays in particular passenger traffic was heavy. The maximum was reached in July 1928 when receipts totalled 162.3 millions and passenger-kilometers 5,155 millions. In 1927 the maximum was reached in August with receipts totalling 155.1 millions and passenger-kilometers 4,934 millions.

Below will be found the monthly figures of passenger traffic as from October 1928.

These figures show that with the exception of December when the Christmas holidays were responsible for an increase of passenger traffic, the volume of passenger traffic on the whole somewhat diminished between October 1928 and February 1929. The decline is attributable in part no doubt to a number of exceptional circumstances which, as I shall indicate later on, have also had an unfavourable effect upon the development of goods traffic.

Month	Receipts (in 1 000 R.M.)		1928-29 as compared with 1927-28	Passenger-kilometers (in 1 000 000)		1928-29 as compared with 1927-28
	1928-29	1927-28		1928-29	1927-28	
1928						
January—						
September ..	1,127.9	1,069.2	+ 5.5%	37,078.7	34,992.1	+ 6.0%
October	113.6	112.8	+ 0.7%	3,736.5	3,814.3	— 2.1%
November	94.4	97.1	— 2.8%	3,205.0	3,321.5	— 3.5%
December	107.4	100.5	+ 6.9%	3,628.8	3,420.0	+ 6.1%
1929						
January	95.8	97.5	— 1.7%	3,274.3	3,340.5	— 2.0%
February	78.9	89.3	— 11.7%	2,713.5	3,053.9	— 11.1%
March	112.6	104.4	+ 7.9%	3,691.5	3,520.5	+ 4.9%
April	107.3	119.5	— 10.2%	3,635.9	4,060.1	— 10.4%
May	136.6	130.4	+ 4.8%	4,464.6	4,249.9	+ 5.0%

In November the lock-out in the Ruhr metallurgical industry threw 225,000 workers out of employment for more than a month, and consequently passenger traffic in one of the most closely populated areas of Germany was considerably reduced.

The exceptionally cold weather in January and February had even more serious effects upon railway traffic.

Mention must also be made of the considerable growth of unemployment during the early months of 1929. In February for instance the number of unemployed was 1,223,300 higher than in February 1927, reaching a total of 2,460,800.

Lastly, as regards traffic in the ensuing months, it should be noted that Easter this year fell in March whereas last year it was in April.

The latest figures available in regard to receipts, namely those of May, show better results with an increase of 4.8 per cent by comparison with 1928. Taken as a whole the receipts for the period January-May 1929 show a decrease of 1.8 per cent by comparison with 1928, although the tariffs were revised in October last with the object of securing a 3 per cent increase in the returns. It may be that the higher receipts of May mark the opening of a more prosperous period, but it is unlikely that 1929 will yield a growth of passenger traffic comparable with that of the two preceding years.

The receipts from passenger traffic and baggage totalled 1,443.3 millions in 1928, making an increase of 4.62 per cent by comparison with 1927. The 1928 total is slightly higher than that of 1925 which was the most favourable year for passenger traffic since the creation of the Company.

The 1928 receipts compared with those of 1913 (taking the system within its present frontiers) show an increase of 59.6 per cent.

In the preceding years, as a result of the tendency shown by passengers to frequent the cheaper classes, the growth of receipts

was always less than that of the number of passenger-kilometers. Thus in 1927 passenger-kilometers increased by 6.1 per cent as compared with 1926, whereas receipts rose by only 4.5 per cent. It should be noted that in 1928 receipts increased by comparison with 1927 in the same proportion as passenger-kilometers, which is no doubt due to the revised classification introduced on October 7 last.

In 1928 the receipt per passenger-kilometer for journeys at full fare was 3.78 pf. and for journeys at reduced fares 1.71 pf. In the first case the increase by comparison with 1913 is 39.5 per cent and in the second case 33.6 per cent. Taken as a whole and including baggage and accessory receipts, the average receipts per passenger-kilometer was 3.03 pf. in 1928, being an increase of 22.7 per cent by comparison with 1913. This is less than the increase in the receipts per passenger-kilometer at full or reduced fares indicated above, as the number of passenger-kilometers at reduced fares has risen in proportion to the total from 24.10 per cent in 1913 to 41.22 per cent in 1928.

If the transport tax is included, the price paid per passenger-kilometer for journeys at full and reduced fares taken together is 33 per cent higher in 1928 than in 1913. This would appear to be a very reasonable increase if allowance is made for the fact that the index of the cost of living was 156.5 (1913 = 100) in March 1929.

Below will be found some figures on the operation of passenger traffic since 1925.

Year	Train-kilometers (in 1,000)	Axle-kilometers (in 1,000,000)	Pas-senger-kilometers (in 1,000,000)	Average number of axles per train	Average number of passengers per train	Proportion of seats occupied
1913 (present system)....	420,000	10,274.0	36,599.0	24	87.14	25.7 %
1925	327,241	9,260.7	48,950.3	28	149.58	33.4 %
1926	346,037	9,243.4	42,922.4	27	124.04	31.1 %
1927	366,144	9,784.7	45,547.9	27	124.40	30.1 %
1928	394,581	10,391.5	47,649.0	26	120.76	29.4 %

In 1925 the number of persons travelling was very large and the train service was extremely restricted in proportion to traffic requirements. The average number of passengers per train was 149.58 in 1925 as against 87.14 in 1913. In the subsequent years the volume of passengers again became normal, and although traffic fell short of that in 1925, the Company expanded its services in order to attract the public by increasing travel facilities. In drawing up its time table the Company has also to take into account the ever growing competition of motor services. Very frequently it has only been possible to avoid the opening of new motor services by increasing the number of trains.

If on the other hand the 1928 results are compared with those of 1913, it will be found that traffic calculated in passenger-kilometers increased by 30 per cent, whereas the number of train-kilometers declined by 6 per cent. These figures show the advance realised in the operation of the system.

The following table shows the variations in the number of passenger-kilometers and train-kilometers in 1927 by comparison with 1913, and also the average number of passengers per train in Germany, and in certain other countries.

1913 = 100	Germany	Great Britain	France	Switzerland
Passenger-kilometers	125	—	127	112
Train-kilometers	87	102	98	93
Average number of passengers per train	124	81	101	103

The reduction in train services after the war in Germany chiefly affected the fast trains. The larger number of services since introduced has chiefly affected this category. Whereas the distance covered by express trains in 1928 increased by 16.7 per cent as compared with 1926 and that of through trains by 32.6 per cent, the number of train kilometers run by slow trains diminished by 5.7 per cent. It should be noted however that the distance covered by express trains was still 38 per cent less in 1928 than in 1914.

During the last few years the Company has also increased the number of light trains and railcars owing to the economies which the operation of these trains renders possible. The distance covered by such trains rose from 19.2 million kilometers in 1926 to 49.7 millions in 1928.

The new summer time table, which came into force on May 15, 1929, introduced important improvements in internal and international connections by the creation of new express services and by accelerating the speed of other services as is shown by the following figures.

Lines	Average speed of express trains			Speed of fastest train			
	1927	1928	1929	1914	1927	1928	1929
	kilometers per hour						
Berlin-Frankfort via Erfurt	62.6	66.6	66.95	76	71.2	77.5	77.5
Berlin-Cologne via Essen	63.2	65.0	66.25	71	72.9	76.2	77.5
Berlin-Hamburg	70.5	75.2	76.91	89	82.0	86.1	88.7

In my previous report I gave the results of the special trains put into service by the Company during the summer holidays of 1928. I would recall that the number of these trains rose from 539 in 1927 to 564 in 1928, and the number of passengers transported from 369,982 to 393,414.

The number of special trains for winter sports was increased owing to the specially favourable conditions in the winter 1928-29 to 85 as against 32 in the winter of 1927-28.

Passenger traffic in connection with the Leipzig fair was this year smaller than last year. The number of special trains was only 468 as against 483 in 1928: it is estimated that the increase of traffic resulting from the fair was 173,900 passengers as against 363,000 in 1928.

Reform of passenger classification.

In my previous report I explained the reasons which led to a reform of the classification of passenger traffic and the principles underlying the reform which came into force on October 7 last.

I would recall that the 3rd and 4th classes were amalgamated, and that at the present day there is only one wooden-seated class known as the 3rd class and one upholstered class known as the 2nd class. The 1st class has been retained as a luxury class on the international trains, on some main line expresses and in the sleeping cars. The kilometer rate applied to the 3rd class is that of the old 4th class increased by 12 per cent. The kilometer rate of the 2nd class has been reduced by 25.3 per cent, while that of the first class has been raised by 3.57 per cent. In addition a new schedule of supplements charged on the fast trains has been established. The old express train supplements have been doubled for the 2nd and 3rd classes, and for the through trains (for which no supplement used to be charged) an additional charge of one-half of the express train supplements is now imposed. In addition the number of zones for which supplements are charged in the two categories of trains has been increased from 3 to 5.

The results of the reform, which introduced a great change in the classification to which the German public was accustomed, were awaited with great curiosity and it was hoped that the reduction of the 2nd and 3rd class fares would lead to an increase in the number of 2nd class passengers, which previously diminished from year to year, and that it would also encourage 2nd and 3rd class passengers in the slow and through trains to travel by the express trains.

A full year at least must be allowed to elapse before the effects of the new classification can be judged. The results in the winter months can only give an incomplete picture, for winter is the dead season for passenger traffic which at that time of year largely consists of professional travellers and travellers on season tickets who were not affected by the tariff reform. It is in the summer that long distance tourist traffic increases, and it is here that the Company expects a considerably larger number of passengers to travel 2nd class and to frequent the express trains. Moreover, as I have already said, passenger traffic last winter was seriously affected by exceptional circumstances, more especially by the severe cold. Nevertheless, the results obtained under the new tariff system already allow of some interesting observations. Annex VIII furnishes comparative statistics of passenger traffic during the period October 7 - December 31 in 1927 and 1928.

Before the reform the movement towards the cheaper classes became more accentuated in every year. If the entire urban and suburban traffic in Berlin and Hamburg is deducted, it will be found that the percentage of 2nd class passengers for the period January-August fell from 1.67 per cent in 1925 to 1.16 per cent in 1928. On the other hand the percentage of 4th class passengers rose from 79.95 per cent in 1925 to 83.79 per cent in 1928. This movement towards the lower classes has since 1924 entailed a loss of receipts to the Reichsbahn estimated at 30 millions per annum.

During the period October 7 - December 31, 1928, on the other hand, a considerable movement of passengers towards the 2nd class was to be noted, as is shown in the following table which illustrates the distribution of passengers among the classes in 1927 and 1928.

Class	Number of passengers transported during the period October 7—December 31			
	1927	Percentage of total	1928	Percentage of total
1st class	156,707	0.04	126,669	0.03
2nd "	20,299,736	4.47	36,114,722	7.85
3rd "	140,825,398	31.04	423,800,681	92.12
4th "	292,409,585	64.45	—	—
	453,691,425	100.00	460,042,072	100.00

Approximately 11 per cent of the former 3rd class passengers have during the period under consideration gone over to the 2nd class. Thus the percentage of 2nd class passengers increased from 4.47 per cent in 1927 to 7.85 per cent in 1928; in 1913 the percentage was 7.59 per cent.

The increase of 2nd class passengers must largely have been confined to short journeys, for the average distance travelled 2nd class has declined during the period under consideration from 29.48 km. in 1927 to 26.23 km. in 1928. While the number of passengers transported increased by 78 per cent, the number of passenger-kilometers rose by only 58 per cent.

The decline in the number of 1st class passengers is due to the fact that this class has been abolished on some trains and that its tariff has been increased.

The provisional statistics for the period January-March 1929 also show an appreciable increase in the number of 2nd class passengers: the proportion has increased from 4.47 per cent in 1928 to 7.77 per cent in 1929.

In the absence of accurate statistics recourse can only be had to approximate figures obtained by counts of passengers in trains in order to judge the effects of the reform of classification on the distribution of passengers among the various types of trains.

Below will be found the percentage of passengers in the various categories of trains as established by the counts held before and after the reform.

Trains	Counts held in the months of			
	November 1927	October 1928	February 1928	February 1929
Express trains	4.07%	5.01%	3.88%	4.19%
Through trains.....	3.41%	3.52%	3.42%	3.28%
Slow trains	92.52%	91.47%	92.70%	92.63%

The results in February 1929 were considerably affected by the unusually cold weather, which naturally led to a reduction of the long distance journeys usually made by express train. Nevertheless the above figures taken as a whole show that since the reform of classification there has been a certain trend from the slow and through trains to the express trains. This trend is favoured by the fact that the express train fares are lower than the old fares for distances of 375 km. and upwards in the 2nd class and 150 km. and upwards in the 3rd class.

The counts held in the trains also showed that the increase of 2nd class passengers was much greater in the slow trains (about 250 per cent) than in the through trains (91 per cent) and the expresses (28 per cent).

In regard to the financial consequences of the introduction of the two-class system, I would recall that according to the Company's estimates the reform should increase the receipts from passenger traffic by about 3 per cent. Actually, for the period October 7—December 31, 1928, the receipt per passenger-kilometer not including baggage and accessory receipts was 2.89 pf. which represents an increase of only 1 per cent by comparison with the corresponding period 1927. But it must be remembered that we are here dealing with results obtained during the first months of the application of the reform and at a time of the year when passenger traffic is normally small. In the summer months it may however be possible to calculate the financial advantages of the reform.

It should be added that the diminution of classes has made it possible to introduce certain improvements in the operation of the system, particularly in the composition of trains and the better utilisation of seating accomodation.

Transport services in Berlin.

The electrification of the Berlin urban and suburban lines provided for in the Company's original programme is now complete. Electrification will subsequently be extended to the new line from Jungfernheide to Gartenfeld at present under construction. Since March 20, 1929, when the last steam trains disappeared from the Stadtbahn, that line has been exclusively operated by electricity; simultaneously the frequency and speed of trains provided for in the normal service was attained. The same applies to the Ringbahn which has been entirely operated by electricity since May 15. In

the section dealing with electrification, I shall give some details on the improvements which the new system has rendered possible in the operation of train services.

With these improvements the Company hoped to overcome its position of inferiority on these lines by comparison with the rival transport undertakings, and it hoped thereby to increase its passenger traffic, the development of which was unsatisfactory during the last few years. With regard to the receipts which a growth of traffic may yield, it should be remembered that the electrification of the system in question has cost the Reichsbahn the considerable sum of about 185 millions.

The decline of passenger traffic recorded year by year since 1924 on the Berlin urban and suburban lines ceased with the summer of 1927. The growth of passenger traffic since that date is a consequence of the general recovery of the Company's traffic and of the tariff reductions introduced on certain parts of the Berlin system on September 1, 1927. It should be added that on March 15, 1927, the municipal undertakings adopted a uniform fare of 20 pf., whereas on the Reichsbahn the fare within the city is only 15 pf.

The recovery in traffic apparent in 1927 was further accentuated in 1928, as is borne out by the following figures showing the number of passengers transported and the receipts realised since 1924.

Year	Passengers transported (in 1,000)	Receipts (in 1,000 R.M.)	Receipts per passenger-kilometer (in Rp.f.)
1924	468,311	61,217	0.98
1925	397,749	69,804	1.47
1926	354,156	64,590	1.63
1927	358,872	64,673	1.67
1928	394,250	68,175	1.50
1928 as compared with 1927	+ 9.8 %	+ 5.4 %	— 10.0 %

In the number of passengers transported in 1928 are included 14 million passengers who made use of tickets entitling them to change from the Reichsbahn to the municipal transport undertakings and *vice versa*. These tickets were introduced on January 1, 1928.

It should be noted that the growth of traffic on the Berlin urban and suburban Reichsbahn system in 1928 as compared with 1927 is greater than the growth of traffic on the municipal undertakings as a whole (not including journeys involving a change from the one to the other) namely 5.8 per cent. The Reichsbahn's share in the total traffic of Berlin, after dropping from 38.2 per cent in 1924 to 24.3 per cent in 1927, rose to 25 per cent in 1928.

For the period January-April 1929 the number of passengers transported on the Berlin urban and suburban lines was 131.5 mil-

lions as against 133.9 for the corresponding period of 1928, or a decline of 1.8 per cent. This slight decline, which is moreover less significant than the decline of traffic as a whole on the system (*i. e.* about 5 per cent), is due to the exceptional cold last winter, to the increase of unemployment and to the decline in Sunday travel.

The municipal transport undertakings taken together recorded an increase of traffic of 2.2 per cent during the period under consideration, the number of passengers transported (not including journeys involving a change from one undertaking to another) having risen from 382.7 millions in 1928 to 391.2 millions in 1929. But it must be remembered that these undertakings underwent certain extensions in 1928, and that in addition their traffic is very largely confined to the interior of the city and was not affected to the same extent as the Reichsbahn by unemployment and the cold weather.

In May the Berlin traffic was most satisfactory. On the Reichsbahn lines there was, as compared with the preceding year, an increase of 15 per cent in the number of passengers transported, while the municipal transport undertakings recorded an increase of 6.7 per cent.

Owing to the short interval which has elapsed since the electrification of the Berlin system, it is not yet possible to ascertain the effects of the innovation upon the traffic returns. But according to the Company's calculations on the Spandau-Charlottenburg line, traffic has increased by 50 per cent. Again, in the new station known as "Bahnhof Ausstellung", which was constructed to facilitate the transition from certain suburban lines to the Ringbahn, the number of passengers dealt with on week-days is 25,000 as against the 16,000 estimated.

The receipts of the Berlin urban and suburban system totalled \mathcal{RM} 68.2 millions in 1928 as against 64.7 millions in 1927, being an increase of 5.4 per cent. This increase is less than the 10 per cent growth of traffic owing to the tariff reductions introduced on September 1, 1927. As a result of these reductions and the fact that the growth of traffic in 1928 was largely confined to the Stadtbahn and the first zone on the suburban lines, for which the kilometer rate is lower than on the outer suburban system, the receipt per passenger kilometer dropped as a whole by 10 per cent from 1.67 pf. in 1927 to 1.50 pf. in 1928. It should be noted that this receipt is practically equivalent to one-half of the receipts per passenger kilometer for the system as a whole, namely 3.03 pf. in 1928.

Owing to the excessively low fares the Berlin system is worked at a heavy loss; but it must be remembered that these fares are imposed upon the Reichsbahn by the competition of other transport undertakings. The Company hopes that with the completion of the electrification the financial returns will improve, thanks to an increase of traffic and the reduction of operating expenses.

The traffic of the Company's Berlin lines is clearly affected by the development of the other combined transport undertakings (tramways, underground and motor buses) which, as I stated in

my previous report, were amalgamated as from January 1, 1929, into a big company with the title of Berliner Verkehrs-Aktiengesellschaft.

It is of interest to give some information in the following table on the development of the traffic of these undertakings.

Year	Tramways		Underground		Motor buses		Total	
	Passen- gers trans- ported	Re- ceipts	Passen- gers trans- ported	Re- ceipts	Passen- gers trans- ported	Re- ceipts	Passen- gers trans- ported	Re- ceipts
in 1,000,000								
1924.....	528.1	69.4	182.9	23.8	47.9	8.5	758.9	101.7
1925.....	768.1	101.9	172.2	28.6	76.9	13.3	1,017.2	143.8
1926.....	813.1	107.2	162.9	28.0	112.9	20.0	1,088.9	155.2
1927.....	773.0	118.4	186.9	33.3	156.8	31.5	1,116.7	183.2
1928.....	796.0	125.3	204.3	36.4	181.5	36.1	1,181.8	197.8
1928 as compared with 1927	+ 3.0% ₀	+ 5.8% ₀	+ 9.3% ₀	+ 9.3% ₀	+ 15.7% ₀	+ 14.6% ₀	+ 5.8% ₀	+ 8.0% ₀

The above figures do not include journeys involving a change from one means of communication to another.

It will be noted that the number of passengers transported by the tramways, after declining in 1927 when the fare was raised from 15 to 20 pf., again increased in 1928. The tramway system was extended in 1928 in the outlying districts of Berlin by 81 km.

On the underground and motor bus services the number of passengers showed an appreciable increase in 1928. The growth of traffic was due in part to the reduction of long-distance fares and to the facilities for changing from one means of communication to another attached to the uniform fare; but it was due above all to the extension of the motor bus and underground services by the city of Berlin, as shown by the following figures.

Date	Underground		Motor buses	
	Length of lines in km.	Number of motor coaches and trailers	Number of lines	Number of vehicles
December 1924.....	46.9	481	16	182
December 1927.....	56.2	828	29	585
May 1929	58.9	1,021	37	637

According to press reports the Berliner Verkehrs-Aktiengesellschaft is preparing to renew and enlarge the rolling stock park of the three combined transport undertakings; it intends, so it is said, to put into service 700 new cars, namely 66 motor buses, 234 underground cars and 400 cars for the tramways. In addition an extensive programme of new underground lines is contemplated for the next few years.

I would add that of late it has been proposed to accelerate the speed of the tramways, particularly in the outlying portions of the city.

The right of changing from one means of communication to another, which was granted under the uniform 20 pf. fare, is very extensively exercised by the public. The number of journeys where this was done was as follows in 1928.

From underground	From motor buses	From tramways	From motor buses	From tramways	From underground	Total
to tramways	to underground	to motor buses				
in 1,000						
59,593	48,594	48,904	10,366	30,835	10,262	210,554

If journeys on which the passenger changed from one means of communication to another are included, the total number of passengers transported by the municipal undertakings in 1928 was 1,392.2 millions. If to this figure is added the number of passengers transported by the Reichsbahn a total of 1,786.4 millions is obtained, which is equivalent to 415 journeys per annum by each inhabitant of the city of Berlin.

* * *

Goods traffic

Development of traffic.

As I stated in my previous reports, goods traffic expanded very considerably between 1926 and 1927. In 1928 on the other hand it maintained very much the same level as in the preceding year. A parallel development is to be found in the economic situation: the rapid recovery between 1926 and 1927 was followed in 1928 by a period of comparative stability.

Below I furnish the figures illustrating the output of coal and iron since 1926.

Output of	1926	1927	1928	1927 as compared with 1926	1928 as compared with 1927
	in 1,000 tons				
Coal	145,296	153,599	150,876	+ 5.7%	- 1.8%
Lignite	139,151	150,504	166,260	+ 8.2%	+ 10.5%
Pig iron	9,644	13,089	11,804	+ 35.7%	- 9.8%
Steel	12,342	16,168	14,517	+ 31.0%	- 10.2%

It will be noted that the decline in the output of coal in 1928 as compared with 1927 is offset by the greater output of lignite. The decline in the output of iron and steel in 1928 is largely due to the lock-out in the Ruhr in November.

Taken as a whole German production shows a certain falling off during the second half of the year: the general index of production calculated by the Institut für Konjunkturforschung dropped from 127.8 (1924/26 = 100) in January to 115.2 in December.

The activity of the home market, which is of the greatest importance to the Reichsbahn since nine-tenths of its transports represent internal traffic, declined somewhat in 1928. The conclusion of the period of reorganisation and rationalisation in German industry, which began in 1926, no doubt contributed to the decline.

But although diminished production and less activity on the home market had an unfavourable effect on railway traffic, the rerudescence of activity in the building trade and the good harvest results benefited the Company. The number of dwelling houses constructed rose from 131,368 in 1927 to 137,306 in 1928. The harvest of bread cereals totalled 125.4 million metric quintals in 1928 as against 102.5 millions in 1927.

On the other hand there was a certain growth of transports on the Reichsbahn owing to the difficulties which river shipping encountered in 1928. The total tonnage transported on the waterways dropped from 111.4 million tons in 1927 to 107.6 millions in 1928.

Below will be found the definitive results of goods traffic in 1928 compared with those of 1926 and 1927.

	1926	1927	1928	1927 as compared with 1926	1928 as compared with 1927
Receipts (in 1,000 <i>R.M.</i>) ..	2,830,619	3,226,401	3,276,357	+ 14.0 %	+ 1.5 %
Tons transported (in 1,000)	381,868	434,063	432,259	+ 13.7 %	- 0.4 %
Ton-kilometers (in 1,000) ..	59,016,334	64,887,715	66,337,575	+ 9.9 %	+ 2.2 %
Average number of cars loaded per working day	129,889	149,288	150,245	+ 14.9 %	+ 0.6 %
Mean distance of transport in km.....	154.55	149.49	153.47	— 3.3 %	+ 2.7 %

The tonnage of goods transported shows a decline of 0.4 per cent by comparison with 1927, but the number of ton-kilometers has increased by 2.2 per cent. This is due to the greater mean distance of transport which has risen from 149.49 km. in 1927 to 153.47 km. in 1928.

The increase of traffic coming from and going to foreign countries by comparison with internal traffic, which is particularly pronounced in the second half of 1928, has no doubt contributed to the increase in the mean distance of transport.

Taken as a whole the development of goods traffic since the creation of the Company has been satisfactory. A comparison of the 1928 results with those of 1925 (a year which was particularly favourable) reveals an increase of 15.9 per cent in the number of tons transported and an increase of 18.5 per cent in the number of ton-kilometers. The average annual increase in the first case works

out at 5.1 per cent and in the second case at 5.8 per cent: these averages correspond approximately to the growth of traffic before the war. The results obtained during the last few years are even more interesting in that the railways in Germany, as elsewhere, have to face growing competition from motor traffic.

A comparison of the 1928 results with those of 1913 (present system) shows an increase of 8.3 per cent in the tonnage transported and an increase of 29 per cent in the number of ton-kilometers.

It is of interest to consider the development of goods traffic during 1928 and the beginning of 1929.

The favourable climatic conditions prevailing during the early months of 1928 resulted in greater activity as regards agricultural and building trade transport. Simultaneously traffic benefited by the growth of production and the economic situation, which was still very favourable. During the period January-March the tonnage transported showed an increase of 7.2 per cent as compared with 1927. During the period April-September on the other hand traffic remained at much the same level as in 1927 and the tonnage transported was appreciably the same. Below will be found the figures showing the development of traffic since October 1928.

	Tons transported (in 1,000)		1928-29 as compared with 1927-28	Cars loaded (in 1,000)		1928-29 as compared with 1927-28
	1928-29	1927-28		1928-29	1927-28	
1928						
Jan.-Sept.	322,956	316,620	+ 2.0 %	148,869	145,803	+ 2.1 %
October	41,086	41,288	- 0.5 %	162,039	166,380	- 2.6 %
November	36,682	39,975	- 8.2 %	158,264	166,246	- 4.8 %
December	31,535	36,180	- 12.8 %	141,815	146,589	- 3.3 %
1929						
January	31,835	34,786	- 8.5 %	129,831	136,174	- 4.7 %
February	29,044	35,051	- 17.1 %	127,998	143,360	- 10.7 %
March	37,257	39,545	- 5.8 %	149,300	150,698	- 0.9 %
April	37,207	32,699	- 13.8 %	157,145	149,511	+ 5.1 %
May	-	34,241	-	160,072	149,077	+ 7.4 %

These figures show that goods traffic, which was slightly higher during the period January-September than in 1927, underwent a serious decline as from October. Whereas the period January-September registered a 2 per cent increase by comparison with 1927 in the tonnage transported, the period October-December registered a decline of 6.9 per cent. Certain exceptional circumstances contributed to the falling off of goods traffic from October onwards.

The tariff increase which came into force on October 1 was responsible for larger transports towards the end of September, and on the other hand for a decline of traffic during the first weeks of its application. In November traffic was very much

reduced by the lockout in the Ruhr metallurgical industry, the consequences of which were felt until the middle of December. The Reichsbahn estimates the loss in receipts resulting from the lockout, including the repercussions on passenger traffic, at approximately *R.M.* 16 millions. The appreciable decline in the tonnage transported in December is also due to the fact that in this month there were two working days less than in 1927.

During the first three months of 1929, particularly in February, goods traffic was very unfavourably affected by the exceptionally cold weather, which practically suspended all activity in the building trade and stopped all agricultural and other open air work. Consequently there was a considerable decline in certain transports: for example the number of cars loaded per working day in February declined in the case of potatoes from 309 in 1928 to 134 in 1929, in the case of cement from 1,272 in 1928 to 266 in 1929, and in the case of fertilisers from 4,547 in 1928 to 3,672 in 1929. For traffic as a whole the number of cars loaded per working day in February dropped from 143,360 in 1928 to 127,998 in 1929, being a decline of 10.7 per cent. The cold also interfered with transport in other countries: in France for example there was a decline of 6 per cent in traffic and in Italy a drop of 11 per cent.

In contrast to other types of goods coal transport increased appreciably during the first three months of 1929, owing to the growth of internal consumption and the suspension of transport on the waterways. This tendency has moreover continued in the ensuing months.

For approximately two months, from January 15 to March 15, shipping was suspended on all the principal German waterways. The Reichsbahn's transports to the river ports were accordingly reduced during the period referred to by about 5 million tons and the loss of receipts was about *R.M.* 13 millions. On the other hand important transports, estimated at 4.5 million tons, passed from the waterways to the Reichsbahn. As these transports covered long distances the corresponding receipts amounted to some 45 millions.

During the exceptionally cold weather the Reichsbahn had serious difficulties to contend with. Nevertheless the Company was able to cope single-handed with the greater part of the transports normally effected by water and by road, and is has thus demonstrated its capacity of transport.

From the middle of March onwards goods traffic rapidly recovered. The number of cars loaded per working day increased during the second fortnight of March by 4 per cent and during April by 5 per cent as compared with 1928. The increase was partly due to certain transports (more especially fertilisers and building materials) which had to be suspended during the preceding months. Nevertheless in May when these arrears ceased to play a part, traffic continued to be favourable and the number of cars loaded shows an increase of 7.4 per cent by comparison with 1928. Taken as a whole the traffic losses of the first three months of the year have been entirely made good by the greater transports in April and May.

The improvement in Germany's economic situation since the end of the winter has doubtless contributed to the recovery of traffic in recent months. In April and May the output of coal and iron was appreciably greater than in the corresponding months of last year, while exports increased and unemployment rapidly and steadily declined.

It is to be hoped that under the influence of this favourable state of affairs goods traffic will continue to develop satisfactorily during the summer months, by maintaining as now seems probable, a higher level than in 1928.

The receipts from goods traffic totalled 3,276.3 millions in 1928 as against 3,226.4 millions in 1927. Whereas from 1926 to 1927 the increase of receipts from goods traffic was 14 per cent, from 1927 to 1928 it was only 1.5 per cent as traffic had reached stable conditions. A comparison of the 1928 receipts with those of 1925 shows an increase of 14.3 per cent, which is equivalent to an average annual increase of 4.5 per cent. This increase is below the 5.8 per cent increase of traffic, owing to the numerous tariff reductions introduced since the creation of the Company.

On October 1, 1928, a general tariff increase came into force from which the Company expected an increase of approximately 6.5 per cent in receipts. This increase made good the effects of the decline of traffic already referred to during the period October-December 1928, for the receipts from goods traffic during that period averaged approximately the same as in 1927.

During the period January-May 1929 the goods traffic receipts totalled *R.M.* 1,398.2 millions, being an increase of 7.2 per cent by comparison with the receipts of the corresponding period in 1928.

It is of interest to consider a few details on certain individual transports. To begin with coal transports, which are of exceptional importance to the German railway system; these in 1928 represented 36.6 per cent of the commercial tonnage transported and 23.5 per cent of the total receipts. Below will be found the figures for coal transports in 1928 compared with those of 1926 and 1927.

	Tons transported (in 1,000)			Ton- kilometers (in 1,000)	Receipts (in 1,000 <i>R.M.</i>)
	Coal	Lignite	Total		
1926	113,405	47,995	161,400	25,975,827	810,359
1927	106,847	52,830	159,677	22,675,360	742,252
1928	102,139	56,188	158,327	23,303,122	767,781
1928 as compared with 1927	— 4.4 %	+ 6.4 %	— 0.8 %	+ 2.8 %	+ 3.4 %

Coal transports declined by 4.4 per cent in 1928 as compared with 1927, whereas the output declined by 1.8 per cent. On the other hand transports of lignite, the consumption of which increases year by year in Germany, rose by 6.4 per cent by comparison with 1927. This increase is however below the 10.5 per cent increase of production.

It should be noted that coal transports increased by only 9 per cent between 1925 and 1928, whereas transports of goods other than coal increased by 20 per cent. The development of coal transport during the last few years has lagged behind the growth of production. Between 1925 and 1928 the output increased by 17 per cent whereas transports increased by only 9 per cent. The same applies to coal transports on the waterways. The decline in the development of coal transport is no doubt a consequence of the technical progress achieved in the utilisation of fuel.

The position with regard to transports in the most important German coal fields is illustrated by the following table, which shows the average number of cars loaded per working day in the various coal fields in 1926, 1927 and 1928.

Year	Ruhr	Upper Silesia	Lower Silesia	Central Germany	Total
1926	28,320	5,272	1,451	8,569	43,612
1927	28,367	5,664	1,502	9,232	44,765
1928	26,417	5,898	1,445	9,863	43,623
1928 as compared with 1927	— 6.9%	+ 4.1%	— 3.8%	+ 6.8%	— 2.5%

The following table shows the development of coal transports during the period October 1928 to May 1929.

	Average number of cars loaded per working day										
	Ruhr			1928-29 as compared with 1927-28		Centr. Germany		1928-29 as compared with 1927-28		Total ¹	
	1928-29	1927-28	1927-28	1928-29	1927-28	1928-29	1927-28	1928-29	1927-28	1928-29	1927-28
1928											
Oct. — Dec. . .	26,288	30,069	— 12.6	10,699	10,308	+ 3.8	44,809	48,002	— 6.7		
1929											
Jan. — May . . .	31,021	27,323	+ 13.5	10,050	9,644	+ 4.2	49,342	44,101	+11.9		

¹ Including transports from the Upper and Lower Silesian coalfields

The decline of transports from the Ruhr coalfield during the period October-November 1928, which was largely due to the lockout in the metallurgical industry, will be noted. At the beginning of the year on the other hand, as a result of greater consumption and the suspension of transports on the waterways, coal traffic shows an appreciable increase by comparison with 1928. The favourable development of coal transports continued in April and May despite the disappearance of the exceptional circumstances affecting the traffic in the earlier months.

The coal transports of the Company for its own service, which totalled 14,189,436 tons in 1927, totalled 14,287,489 tons in 1928.

In Annex X will be found the distribution of the tonnage transported in 1927 and 1928 according to its origin and destination, together with the service transports of the Company, coal included.

In the case of goods other than coal the transports free of charge fell from 32,961,903 tons in 1927 to 28,976,352 tons in 1928. This appreciable decline is largely due to the restriction of upkeep and renewals of the permanent way in 1928.

The following table furnishes some figures of the operation of goods trains (service trains not included) in 1926, 1927 and 1928.

	1926	1927	1928	1928 as compared with 1927
Train-kilometers (in 1000).....	218,903	234,733	247,232	+ 5.3 %
Axle-kilometers (in 1000).....	17,208,186	18,737,322	19,354,945	+ 3.3 %
Average number of axles per train	79	80	78	— 2.5 %

Development of tariffs

The growth of the expenditure on staff compelled the Company on October 1 last to resort, for the first time since its creation, to a general increase of goods tariffs.

Prior to this date the Company, always inspired with the desire to encourage the economic development of the country, succeeded not only in avoiding any increase of goods tariffs (save in very exceptional cases), but granted a large number of reductions in favour of industry, trade, the seaports, river shipping and certain districts in Germany.

In my previous report I described the general goods tariff increase in detail. I would recall that the rate of increase was fixed at 11 per cent, applicable to all tariffs with the exception of the so-called competitive tariffs and the foodstuffs tariffs. But simultaneously with the general increase special reductions were granted on coal, exports of metallurgical products over the land frontiers, and straw and hay.

It was estimated that the general tariff increase would yield the Company an additional 200 millions of receipts per annum, which—by comparison with the total receipts from goods transports—is equivalent to an increase of about 6.5 per cent. Actually the average receipt per ton-kilometer of commercial transports was 5.13 pf. during the period October-December 1928, as against 4.83 pf. for the corresponding period of 1927, that is to say an increase of 6.2 per cent.

The increase of goods tariffs proved to be opportune and necessary. It enabled the Company to survive a period of traffic depression without too seriously undermining its financial position. On the other hand the tariff increase appears to have had no undesirable effects upon the traffic, which, after the depression during the winter months caused by circumstances independent of the tariff increase, is now developing satisfactorily.

In the interval since the publication of my last report the Company has continued, in the sphere of special tariffs, its policy which tends to favour German economic interests and, at the same time, to increase its own traffic.

The system of special tariffs designed to promote sales of German coal in the coastal districts and thus to compete with foreign coal has been further perfected. Since February 1, 1929, the Reichsbahn has granted a reduction of $\mathcal{R}\mathcal{M}$ 1.30 per ton on German coal destined for East Prussia, and a reduction of $\mathcal{R}\mathcal{M}$ 1.00 per ton on German coal destined for East Pomerania. This reduction is applicable to coal consignments from German Upper and Lower Silesia, and to lignite consignments from Central Germany and the area on the right bank of the Elbe. The reduction granted for East Prussia is designed to favour this province, which is very far from the German coal-fields and hitherto enjoyed no reduced tariff like the other coastal regions of Germany. I should add that the German Government grants a subsidy of $\mathcal{R}\mathcal{M}$ 2 per ton to consumers of coal in East Prussia. The reduction granted on coal destined for East Pomerania is justified by the fact that transports from Upper Silesia are at present obliged to make a detour in order to avoid the Polish railway system. Formerly they reached Pomerania direct via Posen. The granting of the aforementioned reductions is subject to the delivery to the Reichsbahn of 339,000 tons per annum over and above the normal tonnage, which was estimated in 1928 at 3,150,000 tons for the transports in question. The Company considers that the larger transports of coal and lignite briquettes resulting from the reductions granted will assist in reducing the consumption of British coal.

Since March 1, 1929, the rates of tariff AT 6 1 for lignite transports consigned to the German coastal districts on the North Sea and the Baltic have been reduced in order to bring the cost of these transports into line with the cost of coal consignments to the coastal districts. The new reduction is equivalent to about 13 %, as regards the main traffic routes, and the total reduction by comparison with the general coal tariff is about 34 per cent. At the same time the minimum monthly tonnage upon which the application of the reduced tariff depends has been raised from 276,400 tons to 343,800 tons.

The tariffs for the coastal districts have assisted considerably, as was expected, in promoting sales of German coal in the districts bordering upon the North Sea and the Baltic. In 1928 coal transports at reduced tariffs totalled 9,429,716 tons, which is equivalent to 6 per cent of the total tonnage of commercial coal transports. I should add that imports of British coal into Germany are on an appreciable decline: for the period January-March 1929 they totalled 664,600 tons as against 981,500 tons for the corresponding period of 1928.

In order to facilitate the export of coal, the Company has since April 1 granted a reduction of 30 per cent on transports of lignite and lignite briquettes from the mining centre on the left bank of the Rhine to Holland.

Since February 1 the range of the application of the special tariff for peat has been extended from 100 to 250 km. and the reduction from 10 per cent to 20 per cent of the rates of the normal category G.

As regards goods other than coal, I would merely draw attention to the new special tariff for benzol and the reduced tariffs for the

transport of lime and cement from German Silesia to stations in East Prussia and the area administered by the Stettin District. Among other reductions the Company has granted several for competitive reasons, or with a view to assisting certain specified industries or districts in Germany. These measures are, however, of limited importance, as they apply only to a restricted volume of traffic and to certain special services.

The Reichsbahn has during the last few months actively pursued its tariff policy for the promotion of imports and exports simultaneously with the development of traffic with the German seaports. An important reduction has been granted on iron ore imported through German seaports and consigned to certain stations in the Ruhr: the receipt per ton-kilometer on these transports is as low as 1.16 pf.

New reduced tariffs have also been granted for exports of silicon carbide, whetstones, insulating plates, cork and lactic acid, and for imports of phosphates.

The existing seaport tariffs governing imports of hides, hemp, jute and bananas, and exports of paper products have latterly been subject to various modifications for competitive purposes.

For the same reason the rates of the so-called SD tariffs, which are designed to attract import and export traffic from certain neighbouring countries to the German seaports, have also been modified in certain cases. Following the increase of the French transit tariffs it has been possible to raise the rates of tariff SD 2 for traffic between the Swiss-German frontier stations and the German seaports by about 15 per cent.

The policy pursued by the Company in respect of seaport tariffs has resulted in an appreciable increase of the tonnage transported under these tariffs, namely from 5,455,000 tons in 1925 to 7,472,000 tons in 1928. Simultaneously the receipt per ton-kilometer on these transports has dropped from 4.51 pf. in 1925 to 3.70 pf. in 1928.

As regards international tariffs, a new direct tariff between Germany and Poland came into force on January 1, 1929. This tariff, which is calculated in pfennigs, applies to the most important commodities constituting the traffic of the two countries. The two railway managements have granted reductions on the consignment charge. A new direct tariff came into force on May 1, 1929, for traffic between Germany and Russia in transit through Poland and Danzig.

The receipt per ton-kilometer on commercial transports fell from 4.76 pf. in 1927 to 4.74 pf. in 1928. This receipt was affected in the first place by the tariff reductions granted on August 1, 1927, and subsequently by the general tariff increase in October last. The effects of these two measures should have roughly counteracted each other in 1928: the slight decline indicated in the receipt per ton-kilometer is possibly due to the increase in the mean distance of transport.

If allowance is made for the transport tax, the average price paid per ton-kilometer in 1928 is 4.99 pf. which represents an increase of 39 per cent by comparison with 1913.

In 1925 the receipt per ton-kilometer (tax included) was 5.17 pf. and the increase by comparison with 1913 was 44 per cent. The comparison of these figures with those of 1928 clearly illustrates the financial consequences as a whole of the tariff reductions granted by the Company from its creation until October last.

It is estimated that the average price paid per ton-kilometer on commercial transports in 1929 will show an increase by comparison with 1913 of approximately 40 per cent not including the tax and 47 per cent tax included.

Competition of motor traffic.

In Germany as in other countries competition from motor traffic increases each year and seriously encroaches upon the monopoly of transport hitherto enjoyed by the railways.

During the last few years the German automobile industry has been able to lower prices and rapidly to increase its output, which rose from 63,000 vehicles in 1925 to 115,000 in 1927; during the first eight months of 1928 the output of motor vehicles of all types, motor bicycles included, rose by a further 36 per cent by comparison with the corresponding period of 1927. Simultaneously imports of foreign motors rose from 11,383 vehicles in 1927 to 17,160 in 1928.

As a result of the growth of the national output and foreign imports the number of motor vehicles in circulation is rapidly increasing. For the whole of Germany there were on July 1, 1928, 473,000 private motor cars, motor buses and lorries as against 255,000 in 1925, an increase of 85.5 per cent.

A comparison of the number of motor-cars and lorries with the population shows that in 1928 there was in Germany one motor per 134 inhabitants, in Great Britain one motor per 34 inhabitants, in France one for 43 and in Belgium one for 79. It will be seen therefore that despite the progress made hitherto, there is still a large margin for the development of motor traffic in Germany.

Parallel with the increase in the number of motor vehicles the motor transport undertakings in Germany continued to expand. Among these undertakings the Reichspost occupies the first place, particularly as regards the conveyance of passengers. The following statistics show the development of the Reichspost services.

Year	Number of Postal Services at the end of the business year	Length of Postal Services (in km.)	Distance covered (in 1,000 km.)	Number of passengers transported (in 1,000)
1910	—	1,234	2,230	1,537
1924	583	10,547	10,100	8,507
1925	1,241	23,848	26,100	24,818
1926	1,482	28,275	38,200	36,100
1927 ¹	1,600	30,409	21,270	21,050
1928 ¹	1,789	33,955	26,800	28,990

¹ From January 1 to June 30.

The number of motor omnibuses, which was 130 in 1910, rose from 2,714 on July 31, 1927, to 3,088 on June 30, 1928.

Negotiations have taken place between the Post Office and the Reichsbahn with a view to establishing close collaboration between the two undertakings in the operation of motor services. It is proposed that the Reichspost shall continue to devote itself primarily to the transport of passengers, while the Reichsbahn will preferably take charge on these motor services of the conveyance of parcel consignments. A joint organisation will in addition be created for all the services connected with the operation of motor services, and in this way the Reichsbahn should be able to profit by the experience gained in this type of transport by the Reichspost. This agreement, which presents obvious advantages for both undertakings, appears to be on the point of being concluded.

Next to the Reichspost the most important motor-transport organisation is the group of companies affiliated to the Kraftverkehr Deutschland G. m. b. H. The development of the traffic of these undertakings is illustrated by the following figures.

Year	Number of lines served		Length of lines served		Distance covered		Passengers transported (in millions)	Number of motors at the end of the year	
	Passengers	Goods	Passengers km.	Goods km.	Omnibuses	Lorries		Omni-buses	Lorries
1926	—	—	—	—	18.80	7.20	32.30	748	—
1927	380	45	6,394	2,409	26.03	9.88	49.28	972	742
1928	511	40	8,592	4,105	35.56	8.90	74.17	1,211	566

It will be seen that in 1928 the number of passengers transported increased by 50.5 per cent as compared with 1927, and that at the same time the proportion of accommodation occupied was considerably better. On the other hand the goods traffic results were less favourable.

As mentioned in my previous reports, the Reichsbahn has also organised motor services under the name of "Eisenbahnkraftwagenverkehr", most of which are run in conjunction with the companies affiliated to the Kraftverkehr Deutschland. Below will be found the results obtained by these services in 1928.

Year	Number of lines	Passenger traffic		Goods traffic		Receipts	
		Distance covered by motor cars km.	Number of passengers	Distance covered by lorries km.	Tons transported	Passengers	Goods
1925	27	82,962	112,298	334,370	98,769	70,008	495,592
1926	49	404,037	669,899	721,990	196,382	351,600	956,329
1927	63	801,609	1,516,615	1,126,908	377,512	732,573	1,652,634
1928	89	1,243,034	2,169,926	1,052,199	249,346	1,070,474	1,167,159

On December 31, 1928, the total length of lines operated was 2,239 km., of which 1,401 km. were for goods traffic and 839 for passenger traffic.

The number of passengers transported by the joint services increased in 1928 by 46.1 per cent as compared with 1927. On the other hand, as in the case of the Company's affiliated to the Kraftverkehr Deutschland G. m. b. H., goods traffic yielded less favourable results and the tonnage transported declined by 33.9 per cent. Generally speaking these jointly organised services have not developed as well as was to be expected.

A study of the conditions under which motor traffic competes with the railway shows that, whereas in the case of passenger traffic the regular motor services play a very prominent part, in the case of goods traffic the most serious competition is that of the occasional motor transports organised by individuals for their own requirements or by a group of consignors. It is in occasional transports that the advantages of the motor over the railway are most evident.

With such transports there is no obligation to keep to a timetable or to follow specified routes; the most advantageous system can be selected and tariffs, which are not subject to any publicity, can be varied at will. The automobile saves the consignor the additional cost of loading and unloading, and the formalities of despatch. Lastly motor transport is frequently much quicker and cheaper than the railway.

I should add that in Germany the utilisation of motor-lorries is particularly advantageous owing to the concentration of industry within very restricted areas, such as the Ruhr and Saxony, and the consequent large volume of transports over short distances.

Moreover motors, unlike the railway, have to bear only a limited expenditure for the construction and upkeep of the roads they utilise. In Germany for instance they contribute only 17 per cent of the total cost of the upkeep of roads.

According to the estimate of a committee appointed in 1927 by the Reichsbahn, the loss of receipts suffered by the Company as a result of competition from motor traffic amounts to 250 millions per annum, of which goods traffic represents 150 millions and passenger traffic 100 millions. These estimates are clearly haphazard. Nevertheless it is interesting to note that on the Reichsbahn the transports of luxury goods particularly open to competition from motor traffic have made but small progress during the last few years, whereas traffic as a whole has considerably increased. Thus for distances up to 400 km. the tonnage transported under categories A, B and C, including the secondary categories, rose from 28.8 million tons in 1925 to 29.4 million tons in 1928 which is equivalent to an increase of 2.0 per cent; on the other hand the tonnage transported under the other normal categories and the special tariffs increased by 18 per cent.

As I pointed out in my previous report, the policy of close co-operation with the motor transport companies pursued by the Reichsbahn during the last few years has not met with the hoped-for success. This is due chiefly to the financial results, frequently

unsatisfactory, obtained by the companies in which the Reichsbahn has an interest. The Reichsbahn has therefore abandoned this policy and by mutual agreement denounced the contract with the Kraftverkehr Deutschland G. m. b. H. as from November 15, 1928. It has thus regained its freedom of action and can now conclude agreements with the Reichspost, or itself operate certain motor services.

Nevertheless the independent operation of motor services entails certain difficulties to the Reichsbahn. In the first place, in virtue of the law of August 26, 1925 on motor services, the Reichsbahn is placed on the same footing as private undertakings in regard to applications for concessions. The Reichspost on the other hand is exempt from the obligation to apply for a concession.

Secondly, for the reasons already indicated, the operation of regular services for the transport of goods is generally of little advantage. It is therefore to be feared that the Reichsbahn by operating its own motor services, which could only be regular services, will be exposed to financial losses, all the more so for the reason that it would be obliged, in order to recapture the traffic lost, to transport goods at rates below those of the other undertakings. The obligation to publish its tariffs is an additional disadvantage to the Company in relation to private concerns. Without denying that it might be profitable for the Company to operate certain motor services itself, it is clear that the Reichsbahn should only embark upon such an enterprise with the greatest prudence.

Owing to the poor results yielded by co-operation with the motor transport companies and the difficulties which the institution of its own services involve, the Reichsbahn has latterly devoted greater attention to tariff measures which will enable it to face the growing competition of motor traffic. These measures may be twofold, namely special tariff measures or general tariff measures.

Since the end of 1927 the Reichsbahn has introduced a large number of special tariffs known as K tariffs, which are designed to prevent traffic from going over to motor transport or to recapture the traffic already lost. These tariffs, which at present number over a hundred, apply to paper and cardboard, cereals, sugar, beer, cement, mineral waters, tanners' products etc. They apply only to certain specified services and are generally conditional upon the delivery of a certain tonnage annually to the railway. The reduction granted naturally varies according to the state of competition, but in general the rates of these tariffs are much the same as those of the normal category C.

There are two types of tariff K: the one known as »Werk-Tarif« applies to transports from one factory to another, or between factories and centres of consumption; the other known as »Spediteur-Tarif« applies to group commodities of the higher categories transported between important centres such as Berlin, Hamburg, Leipzig, Bremen.

Taken as a whole the K tariffs in force on April 1, 1929 secure to the Reichsbahn an annual tonnage of 550,000 tons. It is estimated that 250,000 tons of goods which had deserted to motor

transport have been recaptured by the railway by means of these tariffs. In proportion to the transportation charges calculated according to the normal tariffs (approximately 11.1 millions marks) the K tariffs grant a reduction of 2.9 millions or an average of 26 per cent.

The K tariffs, like all the special tariff measures, have the advantage of limiting reductions of transportation charges almost entirely to those cases where the competition of motor traffic involves a real danger. Hitherto they have yielded satisfactory results and at its last meeting the Board approved the tariff policy. It is to be hoped that the Company will be able to continue in complete freedom to apply the measures designed to defend its traffic.

I would add that tariffs similar to the German K tariffs exist also in Holland, Austria, France, Italy and Great Britain. In the latter country the efficacy of these tariffs is increased by the fact that the reduction granted is not made public.

As regards general tariff measures, it must be noted that they are as a rule very costly and that they impose financial sacrifices upon the Company, even in cases where there is no danger of a loss of traffic. Nevertheless the growing competition of occasional motor transports has led the Reichsbahn to consider the application of general tariff measures in the defence of its traffic.

A general reduction of tariffs for parcel consignments is not to be contemplated, for at the present time already parcel consignments are on an average conveyed at rates below the cost price of the Reichsbahn. The statistics also show that these transports are not particularly exposed to the competition of motor traffic: actually the tonnage of parcel consignments increased between 1925 and 1928 by 14 per cent. The reason is that these transports, with the exception of very short distances, are also very costly to motor transport undertakings owing to the necessity of calling for the parcels at their place of origin and for distributing them at the places of departure and arrival.

The abolition of the higher categories A and B for goods by carload, and the inclusion of these goods in category C would, it is true, be an effective remedy against competition as it is particularly the high rates of these categories which favour the trend of these goods towards transport by lorry. But such a change would entail a very heavy loss of receipts to the Reichsbahn, estimated at over 60 millions per annum. This measure would have a further disadvantage. The system of German normal tariffs is based upon the difference between the cost of finished products belonging to the higher categories and the cost of raw materials belonging to the lower categories. It is this difference which makes possible the life of certain industries in particular districts of Germany. The abolition of categories A and B, by equalising the tariffs of finished products and raw materials, would disorganise the present tariff system and injure the business community.

A reduction of the tariff for parcel consignments and for transports by carload of categories A and B for distances up to 100 or

200 km. would entail a very heavy loss of receipts to the Reichsbahn, for approximately one-half of the goods under these categories are conveyed over short distances. Nor does this measure fit in with the present vertical scaling of tariffs, which involves relatively high charges for transports over short distances with the object of making good the reductions granted for long distances.

With the object of as far as possible avoiding the disadvantages of general tariff measures, particularly an excessively heavy loss of receipts and the disorganisation of the normal tariff system, the Reichsbahn has contemplated another solution which constitutes a compromise between general measures and special measures.

The heaviest traffic losses of the Reichsbahn are due to the fact that consignors are more and more resorting to motor transport for their collective consignments. The Company, with a view to attracting such collective consignors to the railway proposes to institute a reduced collective tariff called "Sammelguttarif", which is designed to recapture the goods which have already deserted to motor transport and to avoid fresh desertions. This tariff would have the additional advantage of transforming a part of the parcel consignments—which, as I have already stated, are not profitable to the Reichsbahn—into carload consignments.

The tariff scheme provides for as exact a delimitation as possible of the transports to which the tariff applies, in order to avoid abuses. Thus the consignments constituting a collective whole must originate with not less than 5 consignors and be addressed to not less than 5 different consignees. On the other hand the weight of a part consignment must not exceed 60 per cent of the weight of the total consignment and must not exceed 6 tons.

The tariff will apply for the consignments to all German stations within a distance ranging between 100 and 400 km. A minimum distance has been fixed as it is thought that the Reichsbahn cannot in general compete profitably with motor traffic for distances of less than 50 km. In the case of transports over distances ranging between 50 and 100 km., statistics show that the loss of receipts to the Reichsbahn through motor traffic is too small to justify the adoption of a general tariff measure.

The application of the tariffs will be dependent upon the prior conclusion of a contract between the Reichsbahn and the consignor. The latter will undertake to remit to the railway for a specified service a minimum tonnage of 480 tons per annum.

In order to make the new system sufficiently attractive the new collective tariff will be based on the rates of normal category C, which corresponds to a reduction of 30 per cent by comparison with the rates of category A applied at the present day to this type of transport. This reduction was fixed with reference to the experience gained with the special K tariffs and to the fact that the cost price of motor transport for distances between 50 and 100 km. is appreciably the same as that of category C plus the cost of loading and unloading into lorries.

The application of the new tariff will cause a certain amount of the parcel consignments to revert to the collective consignments, a reduction in the transportation charges of existing collective traffic, and lastly a partial desertion from categories A and B in favour of collective traffic. The resulting decline of receipts will in part be offset by the economies which the decline of parcel consignments will render possible in the despatching and loading of cars. It is estimated that altogether the new tariffs will entail a loss in gross receipts to the Reichsbahn of about 5 millions per annum. According to the Company's estimates this loss can be made good by the increased transports which will be obtained

The tariff scheme which I have just briefly explained was approved by the Managing Board at its last meeting on May 28 and has been submitted to the Transport Minister for definitive approval.

The Reichseisenbahnrat, a body acting in an advisory capacity to the Transport Minister, at its meeting on June 25 pronounced itself in favour of the application of the tariff scheme.

The Board also decided that the Company should attempt when introducing the collective tariff to secure a reduction in the lorry charges as charged by the consignors, for it is precisely the high rate of these charges which deflects goods from the railway particularly for short distance transports.

The disadvantage at which the Reichsbahn finds itself in regard to tariffs as compared with other transport undertakings is due particularly to the obligation in virtue of paragraph 6 of the traffic regulations (Eisenbahnverkehrsordnung) to publish its tariffs. The tariff committee of the Managing Board adopted the following decision at its meeting on May 25.

1. The tariff committee, in consideration of the Company's obligations to the German business community and of its special charges, is convinced of the necessity for the Reichsbahn to retain its present share in the general traffic and in its future development.
2. The committee considers that the provision of paragraph 6 of the traffic regulations was justified by the monopoly of transport which existed at the time but no longer exists at the present day; and it is convinced that this provision is an obstacle calculated in time to prevent the practical application of the principle enunciated in the preceding paragraph.

* * *

Permanent way and works.

Upkeep of permanent way, structures and buildings.

The following table shows the expenditure actually incurred in 1928 by the Company and the estimated expenditure for the business year 1929 for the upkeep of the permanent way, structures and buildings.

Upkeep of permanent way, structures and buildings	Expenditure in 1928		Estimated expenditure for 1929
	under old classification	under new classification	
(in millions of £s.)			
<i>1. Ordinary upkeep</i>			
Wages	159.2	159.2	160.9
Materials for permanent way and constructional work, material for electrification works	85.0	85.0	85.2
Miscellaneous expenditure	53.3	53.3	80.9
<i>2. Renewal of track and ballast</i>			
Wages	34.0	34.0	43.8
Materials for permanent way	161.7	161.7	198.1
Miscellaneous expenditure	16.6	16.6	8.1
<i>3. Extraordinary upkeep</i>	51.7	87.2 ¹	110.0 ¹
<i>4. a) Improvements and extensions</i>	22.7	— ²	— ²
<i>4. b) Development of safety appliances</i>	—	5.5	14.0
Together	584.2	602.5	701.0

¹ Now includes expenditure on the strengthening of bridges (1928 = 35.5; 1929 = 35.0).

² No longer includes expenditure on improvements and extensions (1928 = 22.7; 1929 = 31.0).

It will be noted that the 1928 expenditure is shown in the table in two columns under different headings, the reason being that for 1929 the Company has modified the system of classifying its expenditure on extensions. As I have already explained in my report No. 8 of December 2, 1928 in the chapter dealing with the financing of capital expenditure, the Company desired to adopt a classification based on the productiveness of its expenditure on extensions. The chapter of expenditure with which we are dealing, which is a part of the operating account, comprises—as a provisional allocation subject to subsequent modification in the definitive allocation prior to the closing of the accounts—certain expenditure on extensions for the most part relating to extension works carried out simultaneously with upkeep and renewal. The modification adopted in the classification of expenditure on extensions affects the expenditure analysed in this table and would make a comparison of the 1928 and 1929 figures impossible, if the 1928 figures were not shown both according to the old classification (as was the case in my

previous report) and according to the new classification which allows of comparison with 1929. The same difficulty will be encountered in regard to other items of expenditure dealt with elsewhere.

If the expenditure on the upkeep and renewal of the permanent way, structures and buildings is calculated for the years 1928, 1927, 1926 and 1913 (system within the present frontiers) on the bases adopted for the 1929 budget, the following table is obtained. The index figures corresponding to this expenditure as given in the same table (taking 1913 as equal to 100) show that the expenditure incurred or estimated makes sufficient allowance for the higher prices prevailing since the war, since the total length of track of the main and secondary lines has increased only from 71,308 km. in 1913 (system within the present frontiers) to 77,692 km. in 1928, that is to say by only about 9 per cent.

Year	Expenditure	
	In millions of <i>R.M.</i>	Percentage by comparison with 1913
1929.....	701.0	200
1928.....	602.5	172
1927.....	697.3	199
1926.....	617.2	176
1913 (present frontiers)	349.0	100

With regard more particularly to the business year 1928 I would add the following information:

The systematic renewal with new material of track and ballast has been carried out on about 3,195 km. of line, the renewal being made with rails weighing about 49 kgs. with the various types of lay-out and on varying lengths of track as indicated hereafter:

2,481 kilometers of superstructure K on wooden sleepers;

584 kilometers of superstructure K on metal sleepers, with electrically welded tie plates;

105 kilometers of superstructure B, Baden type, on metal sleepers;

25 kilometers of superstructure O, Oldenburg type, on metal sleepers;

Total . . . 3,195 kilometers.

In addition the Company replaced with completely new apparatus 13,000 switches (calculated in terms of simple switches) in 1928.

Among the ordinary works of upkeep of the permanent way executed in 1928 the following may be mentioned:

the systematic replacement of about 240 km. of rails in curves with a small radius;

the increase of the number of sleepers and the improvement of joint fittings on about 430 km. of track of various old types;

the systematic renewal of sleepers on approximately 930 km. of track;

the systematic renewal of approximately 2,530 km. of through track on secondary lines and of accessory track in station yards by means of good second hand material together with a proportion of new material;

the replacement of 9,350 switches, calculated in terms of simple switches, in station sidings by secondhand material restored to good condition;

the complete replacement of the ballast on about 3,040 km. of main lines, and the partial replacement of the ballast on about 2,375 km.;

the general overhauling of about 25 % of the main lines and about 11 % of the secondary lines.

Owing to the Company's financial position certain renewals were smaller in 1928 than those of 1927, as is shown by a comparison of the following figures.

	1928 km	1927 km
Renewal of track		
with new materials	3,195	4,136
with second-hand materials	2,530	3,000
Renewal of switches		
with new switches	13,000	12,650
with second-hand switches, overhauled	9,350	7,900
Renewal of ballast on main lines		
complete	3,040	3,100
partial	2,375	3,500

The Company considers that nevertheless the general overhaul of the track has been carried out almost as efficiently in 1928 as in 1927, thanks to the constant improvement of working methods and the application on a larger scale of systematic overhauling.

Bonus work, the introduction of which originally gave rise to criticism, has been extended in consequence of the results achieved. These results were particularly satisfactory in the case of work carried out by the "flying" gangs composed of 60 to 80 workmen, most of them temporarily engaged, in charge of an overseer. These gangs are employed during the good season for the methodical renewal of large stretches of track, particularly in places where there is a scarcity of local labour. The workmen are housed and fed in a train specially equipped for the purpose, which also carries all the necessary tools.

The District Managements are unanimously of the opinion that these gangs have rendered very valuable services. The work executed by them was of good quality and the track remained in good condition for a long time, for the reason that the gangs rarely underwent any change and the workmen grew accustomed to working together and therefore easily and rapidly collaborated and learnt to specialise in certain points of the work.

The quality of the work on the permanent way has moreover undergone a general improvement since the introduction at the beginning of 1928 of the new regulations on superstructure. These provide definite rules for the layout and upkeep of the track, which have been drawn up in conformity with present-day technical knowledge and are uniform throughout the system.

The following table gives various elements for comparison for the years 1929, 1928 and 1913 in regard to the numbers and wages of the workmen responsible for the upkeep and renewal of the permanent way.

Numbers and wages of workmen responsible for upkeep and renewal of permanent way.

Upkeep and renewal of permanent way	1929 Estimates	1928	1913 (present frontiers)
Total expenditure on wages (in <i>R.M.</i>)	204,700,000	193,200,000	102,800,000
Total number of workmen	97,000	92,700	108,246
Average wage per workman (in <i>R.M.</i>)	2,110	2,084	950
Length of tracks of every kind (in km)	121,941	121,705	106,120
Number of workmen per km of track of every kind	0.795	0.762	1.020

Annex XI shows the quantities and the prices of the large categories of new materials employed in the upkeep and systematic renewal of 3,195 km. of track during the business year 1928. The Annex also shows for comparative purposes the consumption and cost of the same categories of materials in 1913, in proportion to the system at the time, limited to the present frontiers of the country.

As will be seen from Annex XI the total expenditure on the purchase of materials for the superstructure was *R.M.* 237 458 000 in 1928, as against 119 728 000 in 1913. According to the estimates the expenditure will amount to *R.M.* 270 503 000 in 1929. The increase in 1929 as compared with 1928 is due to the higher prices of materials and also to the fact that the Company proposes to renew 3,500 km. of track in 1929, as against only 3,195 km. in 1928.

As regards the systematic renewal alone of track in 1928 and 1929 (estimates), the following table shows the corresponding partial and total expenditure, the length of track renewed, the

percentage of renewal in proportion to the total length of the main tracks, and the total cost of renewal per kilometer.

Systematic renewal of track	1928	1929
Expenditure on wages	34,000,000 <i>R.M</i>	43,800,000 <i>R.M</i>
Expenditure on materials for superstructure	161,700,000 <i>></i>	198,100,000 <i>></i>
Miscellaneous expenditure	16,600,000 <i>></i>	8,100,000 <i>></i>
Total expenditure	212,300,000 <i>R.M</i>	250,000,000 <i>R.M</i>
Length of track renewed	3,195 km	3,500 km
Percentage of total track renewed	4.1 %	4.5 %
Total cost per kilometer renewed	66,500 <i>R.M</i>	71,500 <i>R.M</i>

The higher cost per kilometer renewed in 1929 as compared with 1928 takes into account the increase in wages and in the prices of materials.

In my last report I mentioned that the Reichsbahn was introducing rails with an unbroken length of 30 meters on the most important main lines for express trains. The rails, which are laid solely on wooden sleepers according to the K superstructure system, were introduced in 1928 on 570 km of track. The Company proposes to proceed with the same system of lay-out and to adopt it on a further 650 km of track in 1929.

The welding of pairs of 15 meter rails to form 30 meter sections, which has been adopted on express train lines where 15 meter rails had already been supplied for systematic renewals, was carried out on 550 km of track in 1928. This work will not be continued in 1929 as the Company is now supplying 30 meter rails of an unbroken length.

Safety appliances

The general work of renewal, extension and improvement of the safety appliances and the telegraph and telephone systems will entail, according to the Company's estimates, the following expenditure in 1929.

Nature of plant	Expenditure estimated under the operating account	Expenditure estimated under the extensions account	Total expenditure
	(in 1,000 reichsmarks)		
Safety appliances	17,000	11,500	28,500
Telephone and telegraph plant	2,400	2,100	4,500
Total	19,400	13,600	33,000

The above expenditure does not comprise the expenditure on material and wages arising out of the current upkeep of the signalling plant and the telegraph and telephone systems, nor the special expenditure for new plant and alterations to existing plant, which will be incurred in connection with the big new works of the 30 districts.

The latter expenditure, which is covered by the funds assigned for the big works to which they relate, may be estimated as follows:

	Reichsmarks
for safety appliances	5,000,000
for telephone and telegraph plant	1,900,000
total	6,900,000.

The following two tables give the comparative figures as at December 31, 1928, and December 31, 1927, showing the position in regard to the installation of interlocking and signalling plant, and the lines equipped with, and operated on, the block system.

Interlocking and signalling plant.

Position at the end of the year	Number of plants in operation	Number of switching levers in operation in the power cabins	Number of levers in operation in the mechanical cabins	Total number of levers
1927.....	17,869	39,415	283,783	323,198
1928.....	17,956	41,663	287,091	328,754

Length of lines equipped with, and operated on, the block system.

Position at the end of the year	Single track lines km.	Double track lines km.
1927.....	2,862.62	21,512.65 ¹
1928.....	2,886.92	21,560.01 ¹

¹ Of which 20 km operate on the automatic block system.

The number of automatic telephone exchanges put into service during 1928 was 22 and the length of the new long distance telephone circuits established was 1,700 km. At present 759 km of other circuits of this type are under construction, together with 15 automatic telephone exchanges.

Since the publication of my last report the Reichsbahn has put automatic apparatus for stopping trains into service on 303 km of lines, and at present similar plant is being installed on 715 km of lines as follows:

Lines	Length in km
Leipzig-Bitterfeld	65
Berlin-Lichterfelde Ost	18
Elsterwerda-Dresden	114
Halle-Leipzig	76
Wiesbaden-Biebrich-St. Goarshausen	110
Zossen-Elsterwerda	180
Munich-Freising-Landshut	152
Total	715

The number of locomotives and railcars equipped with apparatus for repeating signals, at the end of May 1929, is shown in the following table.

Locomotives and railcars equipped with apparatus for the repetition of signals on May 31, 1929.

Apparatus which does not control brakes		Apparatus which automatically controls brakes	
locomotives	railcars	locomotives	railcars
18	—	54	1,318

The number of important new signal boxes put into service between December 31, 1928, and May 31, 1929, or a present under construction is shown in the following table.

	Put into service between December 31, 1928 and May 31, 1929	Under construction
Mechanical signal boxes (switches and signals hand-worked)	2	52
Electrically operated signal boxes	10	43
Electrically operated signal boxes with route combiners for automatic operation of points in classification yards after passage of shunted cars	—	1

The installation of the approach indicators announcing the proximity of an advance signal (repeating signals which may be over-run) has been completed on the main lines to which the Reichsbahn intends to restrict their use, i. e. on 30,344 km of line.

New works.

For the reasons already explained with reference to the upkeep of the permanent way, the estimated expenditure for 1929 in respect of new works is classified differently as compared with the classification adopted for 1928.

But, in order to allow of comparison with the figures furnished in my previous reports, the following table shows the expenditure effected in 1928 distributed according to the old and new classifications respectively, and in the end column the estimated expenditure for 1929.

Nature of work	Expenditure in 1928		Estimated expenditure for 1929
	under old classification	under new classification	
<i>A. Expenditure on general works carried out on the system as a whole</i>			
1. Dwelling houses for the Company's staff.....	0.5	— (a)	— (a)
2. Braking installations in station yards and fixed plant for the operation of the Kunze-Knorr brakes	0.3	— (a)	— (a)
3. Strengthening of bridges in anticipation of heavier loads	35.5	— (a)	— (a)
4. Development of safety appliances ...	5.5	— (a)	— (a)
5. Purchase of land sites and miscellaneous expenditure.....	7.—	7.—	14.—
Total	48.8	7.—	14.—
<i>B. Expenditure on works executed by the 30 District Managements</i>			
	188.5	188.5	133.—
<i>C. Secondary extensions and improvements</i>			
1. of plant on the permanent way and buildings.....	— (b)	22.7	31.—
2. of rolling stock	— (b)	4.—	8.—
<i>D. Increase and improvement of machinetools and equipment</i>			
	— (b)	11.0	12.—
Grand total	237.3	233.2	198.—

a) Under the new classification this expenditure is included under other headings.

b) Under the old classification this expenditure was included under other headings.

With regard more particularly to the new works of the 30 Districts, I indicated in my previous report the manner in which the expenditure of R.M. 133 millions provided for 1929 was distributed over big categories of works. At the same time I enumerated the most important works, together with the partial expenditure allocated by the Management to each of the works in 1929. These various estimates have not been modified since that time.

In my last report I enumerated the various mechanical braking installations to be found in the classification yards of the Reichsbahn. To complete the list I would add that the Company has this year put into service in the classification yard at Osterfeld-Süd four hydraulic brakes on the sets of tracks branching off from one and the same hump.

Structures.

The following table illustrates for the business year 1929 for each category of structure and for all structures as a whole:

- a) The expenditure on extraordinary upkeep, strengthening and renewal of structures, as estimated under the operating account (column 2 of the table).
- b) The expenditure on new structures and the reconstruction or strengthening of existing structures in connection with the execution of the programme of big new works by the 30 Districts (column 3). This expenditure is provided for in the Company's budget under the extensions account.
- c) The expenditure to be covered by funds invested by third parties (column 4).

The table also shows the general expenses arising in respect of the partial expenditure allocated and the total expenditure.

Expenditure on the extraordinary upkeep, strengthening and renewal of existing structures, and on new constructional work.

Estimates for 1929.

Subject of expenditure	Operating account R.M.	Extensions account R.M.	Funds invested by third parties R.M.	Total R.M.
1	2	3	4	5
Subways and overhead crossings ¹	14,780,000	15,470,000	813,000	31,063,000
Bridges, culverts and aqueducts	3,796,000	24,900,000	1,021,000	29,717,000
Tunnels	2,127,000	2,846,000	—	4,973,000
Station roofs	1,141,000	1,340,000	361,000	2,842,000
Total	21,844,000	44,556,000	2,195,000	68,595,000
General expenses	2,971,000	7,174,000	274,000	10,419,000
Total	24,815,000	51,730,000	2,469,000	79,014,000

¹ Of which R.M. 7,746,000 is for the strengthening of the Stadtbahn viaducts.

The following table enumerates the principal structures put into service between January 1 and May 31, 1929, and the more important structures upon which work was begun in the present year. The table also shows the expenditure estimated in 1929 for each of these works, together with the total approximate cost of each structure.

Principal structures put into service between January 1 and May 31, 1929, or begun since January 1, 1929.

Nature of work	Approximate length of work meters	Expenditure estimated for 1929		Total cost of work R.M.
		R.M.	R.M.	
<i>I. Put into service between January 1 and May 31, 1929</i>				
Museuminsel bridge reconstructed (Berlin Stadtbahn)	—	402,000	1,469,000	
Bridge across the Rhine at Duisburg-Hochfeld	935	230,000	8,800,000	
Single line tunnel at Lengerich in Westphalia (Osnabrück-Münster line)	584	304,000	2,721,000	
Subway at Beuthen	90	16,000	483,000	
Road bridge at Plauen (Vogtland)	66	350,000	625,000	
Transformed tunnel at Bruchsal-Bretten	120	23,000	570,000	
<i>II. Under construction (begun since January 1 1929)</i>				
Middle span of the Stralau-Rummelsburg bridge (on the Berlin Ringbahn)	34	329,000	386,000	
Subway for the locomotive circulation tracks at Duisburg	240	470,000	470,000	
Road subway at Bingen-Mainz	89	750,000	1,200,000	
Viaduct across the Enz at Bietigheim (Karlsruhe-Rastatt line)	290	350,000	700,000	
Bridge across the Jagst at Möckmühl (Osterburken-Bietigheim line)	140	302,000	315,000	
Road bridge of the Kirchstraße in Leipzig	115	490,000	606,000	
Bridge across the Bockwiesental (Eisenberg-Enkenbach line)	170	227,000	375,000	

In my report No. 6 of December 2, 1927, I referred to the utilisation by the Reichsbahn of high resistance steel (ST 48) and silicon steel in the construction of its bridges. The Company has continued its research in this direction in conjunction with the metallurgical firms, and it has succeeded in getting manufacturers to supply types of steel with a high resistance equivalent to that of silicon steel. Thanks to the addition of a certain quantity of copper, these types of steel are better able to resist rust than the silicon steel. In the following table will be found the characteristics of the various types of steel employed by the Reichsbahn in the construction of bridges and girders.

In order to give an idea of the extent to which the Company has utilised high resistance steel in recent times, the same table shows also the approximate weight of the various types of steel utilised in structures during 1928, together with the approximate number of works in which such steel has been employed.

	Ordinary soft steel St 37	High resistance soft steel St 48	Silicon steel and other steel with equivalent high resistance
Minimum resistance per mm ² at the elasticity limit (in kg)	24	29	36
at breaking point (in kg)	37	48	48
Minimum expansion (in %)	20%	18%	20%
Maximum rate of strain allowed in kg per mm ²			
a) for principal stresses	14	18.20	21
b) including secondary reactions ...	16	20.80	24
Approximate weight of steel consumed in 1928 (in tons)	37,173	7,413	7,122
Number of works for which the metal was utilised in 1928	about 200 small and medium	15 big	16 big

Electrification

During 1928, 287 km. of track—174 km. of main line and 113 km. of suburban line—were put into service for electric traction; this brings the total length of electrified track to 1,515 km. or 2.8 per cent of the total system, of which main lines represent 1,290 km. and suburban lines 225 km.

Electrification of main lines.

No further main lines or sections of such lines have been electrified since the publication of my last report.

Apart from the Berlin and suburban lines, which are dealt with subsequently, the Reichsbahn has made provision for the following expenditure on electrification in 1929 as shown in the table below.

Line	District Management	Estimated expenditure for 1929	Expenditure effected from Nov. 15, 1923 to Dec. 31, 1928	Expenditure still to be effected as from Jan. 1, 1930	Total expenditure
(in 1,000 <i>R.M.</i>)					
Breslau-Königszelt	Breslau	700	3,917	519	5,136
Munich-Rosenheim-Kufstein	Munich	380	14,489	407	15,276
Naunhofen-Augsburg	"	1,600	—	950	2,550
Rosenheim-Freilassing	"	1,600	6,582	2,068	10,250
Munich-Ratisbon including the section Feldmoching-Munich East	Ratisbon	300	18,014	462	18,776
Total		4,580	43,002	4,406	51,988

Electrification of Berlin and suburban lines

Since May 15, 1929, steam traction has been completely abolished on the Berlin Stadtbahn, the Ringbahn and the suburban lines illustrated in Annex XI of my report No. 4 of November 20, 1926. These lines were the subject of an extensive scheme of electrification, which was described in the aforesaid report and in my subsequent reports. The new line from Jungfernheide (on the Nordring) to Gartenfeld, the electrification of which was decided upon at a later date, is still under construction; the Company hopes however to complete the line, including the work of electrification, by the end of the present year. The various phases in the introduction of electric traction on the lines in question were as follows:

June 11, 1928: the first electric train put into public service on the Erkner-Potsdam line.

August 14, 1928: completion of the new double track for the suburban service between Charlottenburg and Spandau, which was formerly run on the main line, and the inauguration of electric traction on the new line.

August 23, 1928: a) opening of the new station at Eichkamp (for local services only) on the new location of the quadruple track between Charlottenburg and Heerstrasse (line to Spandau).

b) opening of the reconstructed Heerstrasse station.

December 10, 1928: opening of the new two-storey junction station at the point where the Ringbahn and the Stadtbahn intersect, which serves the exhibition area (Bahnhof Ausstellung).

March 20, 1929: complete electric operation of the central or Stadtbahn line and the suburban lines connected therewith. Introduction of new accelerated time-tables.

May 15, 1929: complete electric operation and reduction in the running times on the Ringbahn.

The number of trains per hour has been increased as shown in the following table.

Line	During the rush-hours		At other times	
	before electrification	after electrification	before electrification	after electrification
Stadtbahn	24	28	16	24
Charlottenburg-Wannsee	3	4	2	4
Charlottenburg-Heerstrasse-Spandau	2	6	1	6
Wannsee-Potsdam	2	4	2	4
Lichtenberg-Friedrichsfelde-Kaulsdorf	2	4	2	4
Erkner-Friedrichshagen	4	6	2	6

During the rush hours the trains are made up of 6 or 8 cars (rail cars included), while at other times they usually only consist of 4 cars. The rush hours on weekdays are between 7 and 9 a. m. and 3 to 8 p. m., and on Sundays between 1 and 5 p. m.

The Stadtbahn line which traverses the city from end to end has the most frequent service. At present the number of local trains run in 24 hours between the Schlesischer Bahnhof and Charlottenburg (taking one direction only) is as follows:

Monday to Friday	507 trains
Saturday	518 "
Sunday	465 "

During the rush hours trains run at intervals of two minutes. The reduction in the running time on the principal services is shown in the following table.

Line	Distance in km.	Time taken to cover distance (in minutes)		Percentage shortening of time %
		steam traction	electric traction	
Stadtbahn (Schlesischer Bahnhof to Charlottenburg)	11.26	31	22	29
Spandau-Grünau	37.86	84	64	23.8
Potsdam-Erkner	57.15	120	89	25.8
Charlottenburg-Wannsee	13.9	20	17 $\frac{1}{4}$	13.8

The train sections in service at the end of May 1929 on the electrified lines comprised:

1 train of 2 cars,
1 train of 4 cars,
40 trains of 6 cars,
57 trains of 8 cars.

Train sections of 2 and 4 cars are made up from this rolling stock during the slack hours.

The various categories of electric rolling stock in service at the end of May 1929 and their totals are shown in the following table.

Nature of rolling stock	Rolling stock ordered under the programme of electrifi- cation	Rolling stock on suburban lines electri- fied earlier ¹	Total
Electric railcars	457	148	605
Trailers with driver's cabin	417	90	507
Trailers without driver's cabin	40	87	127
Together	914	325	1,239

¹ Lines from Stettiner Bahnhof to Velten, Oranienburg and Bernau.

The economic results of electric traction cannot yet be accurately calculated owing to the short time during which normal electric traction has been in use, and owing to the severity of last winter which reduced the number of journeys to an abnormal degree.

The Management has however ascertained that the greater frequency of trains, the considerable reduction of running times and the increased comfort of travel have resulted in a larger number of passengers on the electrified lines. For example on the Spandau-Charlottenburg line the number of passengers has risen by about 55 per cent (according to certain counts held) and the Management expects a further considerable increase of traffic on that line.

The new junction station (Bahnhof Ausstellung) has been utilised even more than the Company expected. Approximately 25,000 persons change there in a week, whereas the Management only estimated their number at 16,000. A count held one Sunday showed that the station dealt with 96,000 passengers.

* * *

Rolling stock and work shops.

Expenditure

The following table shows the expenditure on the upkeep and renewal of the rolling stock, shipping and mechanical plant estimated in the operating account for the business year 1929, as compared with the expenditure effected in 1928, 1927, 1926 and 1913.

Expenditure on the upkeep and renewal of rolling stock and mechanical plant.

(In millions of *R.M.*)

Nature of expenditure	Estimated expenditure for 1929	1928 (provisional results)	1927	1926	1913 (system within present frontiers)
1. Ordinary upkeep					
a) Wages of workmen in the workshops	243.8	240.0	230.5	238.0	136.7
b) Materials	102.0	96.0	117.3	98.0	81.0
c) Spare parts	161.0	161.0	235.2	177.1	} 105.0
d) Miscellaneous expenditure	33.2	32.0	33.1	41.0	
2. Extraordinary upkeep	10.0	9.0	7.0	5.9	} 3.2
3. Improvements	— ¹	— ¹	7.0	6.4	
4. Purchase of complete vehicles in replacement of retired or damaged rolling stock	244.0	227.3	202.0	64.1	99.3
Total (not including general expenses)	794.0	765.3	832.1	630.5	344.2
Total (including general expenses)	822.0	792.3	856.2	652.0	—

¹ The expenditure on improvements (*R.M.* 8 millions in 1929, *R.M.* 4 millions in 1928) has since 1928 been included in the new works account.

I would point out that the sum of *R.M* 161 millions provided for 1929 under the item "spare parts" in the chapter "ordinary upkeep" comprises a sum of 65 millions for the purchase of separate parts required for the installation of the continuous Kunze Knorr brakes on freight cars, and for the execution of the special programme for the improvement of rolling stock analysed in my report No. 7 of June 1, 1928.

The following table gives the numbers of workmen in the workshops, the annual expenditure on wages and the annual average wage per head for the years 1929, 1928, 1927, 1926 and 1913.

	Esti- mates for 1929	Approximate result in 1928	1927	1926	1913 (system within present frontiers)
1. Number of workmen in the workshops, including apprentices:					
a) for the upkeep of rolling stock, shipping and mechanical plant.....	94,000	94,700	98,455	104,424	89,432
b) for the manufacture and repair of machinery, machine tools and fixed plant	4,000	4,300	4,412	5,244	4,400
Together	98,000	99,000	102,867	109,668	93,832
2. Expenditure in millions of <i>R.M</i> on wages of workmen in the workshops.....	259,7	257,4	246,8	256,5	143,4
3. Average wage per head in <i>R.M</i>	2,650	2,600	2,399	2,339	1,528

The figures in the preceding table show the gradual reduction in the workshop staff since 1926 and the steady rise of the average annual wage. Taking the 1913 wage as equal to 100, the proportion for the years 1926, 1927, 1928 and 1929 works out at 153, 157, 170 and 173 respectively.

Position of rolling stock

The following table shows the numbers of normal gauge and narrow gauge rolling stock as on September 30, 1924 (the date of the creation of the Company) and at the beginning and end of the last business year.

Category	Numbers on Sept. 30 1924	Numbers on Dec. 31 1927	Numbers on Dec. 31 1928
Steam driven locomotives	29,645	24,575	24,132
Electrically driven locomotives..	132	316	347
Diesel engines	0	4	2
Railcars in sets	433	583	937
Total of locomotives.....	30,210	25,478	25,418
Passenger cars	65,496	61,764	62,447
Baggage cars	22,416	21,002	20,806
Freight cars:	697,035	674,297	672,756
covered	231,503	226,551	233,389
open.....	459,050	436,915	427,207
service cars	6,482	10,831	12,160

The variations in the total numbers during 1928 are due on the one hand to retirements and on other hand to the delivery of new rolling stock.

In my report No. 8 of December 2, 1928, I furnished the Management's estimates for retirements and deliveries of rolling stock in 1928. The following table gives the actual figures for that year together with the estimates for 1929.

Retirements and deliveries of rolling stock

(normal gauge and narrow gauge)

Nature of rolling stock	1928 (actual figures)		1929 (estimates)	
	Retirements	Deliveries	Retirements	Deliveries
Steam driven locomotives	845	410	640	97
Electrically driven locomotives..	5	36	8	60
Other locomotives	2	—	—	—
Railcars current-fed by overhead wire or third rail	—	347	—	241
Railcars producing their own power	1	18	—	15
Trailers with or without driver's cabin for electric traction ...	—	345	—	218
Passenger cars.....	952	1,794	1,000	1,829
Baggage cars	237	106	200	377
Freight and service cars	15,072	12,008	9,500	546
Cars for service works on the permanent way	369	134	300	446
Traverser trucks with 2 axles for narrow gauge track.....	40	—	—	30

The average age of the Company's rolling stock on December 31, 1928, was slightly higher than the average in the preceding year (December 31, 1927) shown in the first table on page 88 of my previous report, as will be seen from the following table.

Average age of rolling stock
(in years)

Nature of rolling stock	on Dec. 31, 1927	on Dec. 31, 1928
Steam driven locomotives	12.49 years	12.88 years
Passenger cars ¹	18.14 "	18.28 "
Baggage cars ¹	15.22 "	16.03 "
Freight and service cars ¹	13.70 "	14.12 "
Cars for service works on the permanent way ¹	27.16 "	27.55 "

¹ Not including railcars and their trailers.

Among the rolling stock put into service during 1928 are some new types of locomotives ordered for experimental purposes, to be utilised for special services — suburban lines, secondary lines, shunting, etc. In addition experiments have been continued with locomotives burning pulverised lignite: the first two locomotives of this type have been put into regular service, while two others since delivered are still being run experimentally. In addition, within the limits of the funds available, the execution of the special programme for the improvement of rolling stock referred to in my previous reports is being continued: viz. electric lighting in corridor cars, the replacement of the old shaft buffers by bush buffers on passenger and freight cars, the strengthening of draw hooks and couplings, etc.

Orders and deliveries of rolling stock in 1929

In my report No 8 of December 2, 1928, I gave the programme of orders for rolling stock and shipping for the business year 1929. The following table gives the figures for this programme together with the orders for material already placed since the beginning of the year.

Description of material	Orders originally contemplated for 1929			Orders already placed
	1st half year	2nd half year	Whole year	
Steam driven locomotives	23	—	23	23
Electrically driven locomotives ..	4	2	6	4
Railcars and trailers	329	11	340	329
Passenger cars	1,507	1,435	2,942	1,579
Baggage cars	327	173	500	327
Freight cars	462	750	1,112	457
Service cars	458	1	459	475
Ships	—	3	3	1

As I have explained in my previous reports, the Company has a surplus of locomotives and freight cars; on the other hand the experience of the last few years has shown that the passenger car

park is inadequate. In 1928 the number of cars ordered was raised to 1,029 in order to remedy the scarcity. The orders already placed in 1929 again show that efforts have been concentrated upon passenger cars (1,579). Among those ordered are 432 2nd class cars and 253 mixed cars (2nd and 3rd classes) of the standard type, in order to cope with the increased number of 2nd class passengers resulting from the classification reform of October 1 last. The rolling stock ordered also includes 160 electric railcars and 165 trailers for the Berlin urban and suburban lines, and 327 baggage cars required to meet the growth of express goods traffic. By comparison the number of freight cars ordered (457) is small, and chiefly comprises 150 large capacity cars (50 or 60 tons) with 4 axles, for the transport of coal or coke, and 200 cars of 40 ton capacity with 4 axles, for the transport of rails as there has been a scarcity of these types. Lastly 475 service cars of special types have been ordered: 300 ballast cars with 2 axles, 10 boiler cars, 8 gas cars, 43 crane cars, etc.

The Company has resolved to postpone the other orders for material contemplated for the second half of 1929 until it has further resources at its disposal. As explained above, it has as yet been unable to find on the market financial cover for its expenditure on capital account; it is thus obliged to meet this expenditure almost entirely out of ordinary receipts, which means that it is compelled to reduce its operating payments. The Company nevertheless accepted a proposal made by a group of manufacturers, who offered to deliver passenger and freight cars to the value of RM 100 millions, the order to be placed immediately and payment to be postponed for three years. The realisation of this scheme has so far been delayed by the credit difficulties prevailing on the German market.

With regard to the construction of the new passenger cars I should add that instructions have been issued by the orders department of the Central Office (Zentralamt) for the purpose of ensuring that these cars shall be more resistent in the event of a collision. To this end the frame, body, end walls and roofing are to be assembled so as to form a hollow girder, and the parts which are most exposed in the case of collision are in addition considerably strengthened. In order to increase the resistance to crushing in the event of cars being telescoped, the sole bars of the frame are to be in line with the side walls, and in conjunction with these and with the upper frame are to form a structure sufficiently strong to withstand the weight of the entire car.

Railcars.

Owing to the development of traffic and in particular owing to the competition of motor traffic on the roads, it is increasingly necessary to improve the passenger train service while at the same time reducing the operating costs. In Germany as in other countries recourse has therefore been had to railcars for making up light trains at little expense, with an adequate frequency and speed.

In my report No. 6 of December 2, 1927, I furnished information on the various types of railcars which the Reichsbahn has put into

regular service or introduced experimentally. In view of the interest attaching to the question, I shall here add some supplementary information on the results obtained with railcars.

At present the Reichsbahn owns about 175 railcars with accumulators, which run on a large number of lines with little but regular traffic. Vehicles of this type were already numerous on the old Prussian-Hessian railway system and as a rule yielded satisfactory results.

Among the most recent railcars of this type some are capable of running 300 km. in the interval between the recharging of their batteries; others in which the battery has been reduced in order to increase the passenger accommodation can only run 200 km. As their running speed averages 40 km. per hour (maximum speed 64 km. per hour) the electric railcars can travel for 7 or 8 hours without being recharged. Recharging generally takes place every night and takes 5½ hours when the battery is completely exhausted. The plant for recharging, which is very simple, is only situated at the station to which the vehicles are attached.

The Reichsbahn considers that this type of railcar is at present the best, the most economical and the safest, and also provides the maximum of comfort for passengers. The vehicles are strong and on an average are in service 300 days per annum. Their upkeep and repair are simple and on an average only from 10 to 12 per cent of the vehicles are in repair, including those in the main workshops.

As regards the railcars with combustion engines, I may remark that the Company is still in the experimental stage and the results obtained must therefore be regarded, not as definitive, but as still capable of appreciable improvement.

These railcars number about 60, of which 20 have petrol engines, the remainder having Diesel engines of which about 20 are fitted with compressors. Their maximum power is 180 horse power. Some of them consisting of two or three vehicles can convey as many as 346 passengers.

The railcars with combustion engines have the advantage of having an almost unlimited range and of being able to be put into service immediately at almost any time, as both fuelling and filling-up with cooling water, of which only a small quantity is carried, take only a short time.

The Reichsbahn considers that these railcars, which have been running for only two or three years, are not yet up to the mark. The mechanism for transmitting power and changing speed is the weak point in the system. In addition the upkeep of the engine is a delicate matter, and on an average 40 to 50 per cent of the vehicles are in repair.

There are now only 18 old steam railcars in existence on the Reichsbahn, and these are no longer used for the passenger service, but are restricted entirely to the conveyance of staff to the classification yards, the workshops, etc.

Owing to the difficulty of upkeep in the case of these railcars, which is due principally to pipes being damaged owing to unequal expansion between the pipes and the boiler, the Reichsbahn does not intend to order new ones for the present.

In order to allow of comparison of the operating cost of railcars with accumulators and those with combustion engines, the following table shows the expenditure in respect of all the railcars of these two categories in service on the Reichsbahn in 1927. The expenditure includes the cost of big and small repairs together with the interest and amortisation of the capital invested; it relates to a park of 165 railcars with accumulators and a number of railcars with combustion engines varying in 1927 between 20 in January and 39 in December.

Expenditure in Reichsmarks on all the railcars in service during 1927.

	On 165 railcars with accumulators		On 20 to 39 railcars with combustion engines	
	per 100 axle-kilometers	per 100 passenger accommodation-kilometers	per 100 axle-kilometers	per 100 passenger accommodation-kilometers
January	12.00	0.59	15.33	0.60
February	11.91	0.61	20.47	0.74
March	11.58	0.59	11.96	0.43
April	11.90	0.61	12.22	0.43
May	11.41	0.58	11.13	0.40
June	12.27	0.62	11.05	0.38
July	12.10	0.62	10.80	0.36
August	12.27	0.59	12.09	0.39
September	12.97	0.63	18.81	0.68
October	14.11	0.66	14.54	0.51
November	14.13	0.69	22.21	0.74
December	14.65	0.73	23.14	0.88
Monthly average.....	12.6	0.63	15.3	0.54

In order to give a definite idea of the time spent by the railcars in the repair shops, the following table gives the figures obtained from the statistics compiled by the various depots and relating to the months November 1928 and February 1929. The statistics for the two months in question relate respectively to 170 and 174 railcars with accumulators, and 50 and 52 railcars with combustion engines.

Time spent in the workshops by railcars developing their own power, in per cent of the total time during which they are in service.

(November 1928 and February 1929)

Utilisation	Railcars with accumulators		Railcars with combustion engines	
	November 1928	February 1929	November 1928	February 1929
Regular service.....	85.4	80.6	45.0	34.7
Standing by	2.8	3.9	1.8	19.6
Repairs:				
in the big workshops.....	10.8	13.3	40.6	29.7
in the depot workshops.....	1.0	2.2	12.6	16.0
in the workshops as a whole...	11.8	15.5	53.2	45.7
	100 %	100 %	100 %	100 %

There are necessarily considerable differences between the figures for the two months under consideration, owing to the short period to which these figures relate. The variations in question are due in part to the exceptionally cold weather prevailing at the time. The figures given above show clearly moreover that at the present stage the time spent in the repair shops is far longer in the case of railcars with combustion engines than in the case of railcars with accumulators.

From the standpoint of the consumption of fuel the Diesel railcars are much more economical than the railcars with combustion engines running on petrol, benzol or on a mixture of the two. This is due in the first place to the much better thermic output of the Diesel engine, and secondly to the fact that this engine runs on a cheap fuel. For these engines the Reichsbahn generally uses a heavy oil derived from the distillation of lignite (Braunkohlen-treteröl) which is abundantly produced in Germany.

As opposed to this, the cost price of Diesel railcars is generally appreciably higher than that of railcars with petrol engines. Consequently the charges in respect of interest and amortisation of the capital sunk are far heavier, particularly when the degree of utilisation of these railcars is small.

Measures of economy adopted in the locomotive department

In my report No. 7 of June 1, 1928, I furnished information on the financial results obtained by perfecting operating methods, by comparing the expenditure of the engine department in 1927 and 1926. It is of interest to consider some figures in respect of the results obtained in 1928 according to the latest statistics of the Reichsbahn.

In 1928 the gross ton-kilometers hauled by the steam driven locomotives of the Reichsbahn totalled 248,700 millions as against 238,200 millions in 1927 and 218,700 millions in 1926, an increase of 4.4 per cent and 13.1 per cent respectively. On the other hand the materials and staff required for hauling 1 million gross ton-kilometers steadily diminished from 1926 to 1928: the percentage decline in 1928 as compared with 1927 was 4 per cent in the number of locomotives required; 2 per cent in the consumption of coal; 5 per cent in the office and supervising staff; 1.5 per cent in the locomotive staff and 5.5 per cent in the number of workmen in the operating services. By comparison with 1926 the percentages are respectively 13.3 per cent, 4.3 per cent, 13.6 per cent, 6.8 per cent and 14 per cent.

If in order to obtain comparable data the 1928 wages and prices of material are applied to the preceding years, it will be found that the expenditure of the engine department per 1 million gross ton-kilometers dropped from 5,862 marks in 1926 to 5,481 marks in 1927 and 5,342 marks in 1928, which is equivalent for 1928 to a reduction of 2.6 per cent by comparison with 1927 and 8.9 per cent by comparison with 1926.

This progress is the outcome of measures already described in my previous reports, viz. the retirement of feeble and unprofitable

locomotives, closer collaboration between the operating and hauling services, the payment of bonuses to engine drivers, the reorganisation of the workshops, etc. It is interesting to note that the number of kilometers covered on a average by a locomotive between two big repairs has steadily increased during the last few years, i.e. from 46 000 km. in 1923 to 67 000 km. in 1925, 82 000 km. in 1927 and 94 000 km. in 1928. Moreover the average duration of big repairs to locomotives is now only 25 to 30 working days, whereas it was 105 days in 1914.

Among other measures adopted by the Reichsbahn (and also by other railways) in order to economise in the utilisation of locomotives, mention must be made of the uninterrupted service of locomotives, or of certain categories of locomotives, during several days in order to keep the engines as long as possible in productive service instead of running them into the sheds every day for several hours. The object of this practice is:

- a. to cut down the consumption of fuel by reducing the necessity for raking out the fires and washing out the boiler;
- b. to diminish delays and loss of time spent in raking out the fires at the ash-pits, at the turn-tables, in the shed, etc.;
- c. to reduce repairs by maintaining the locomotive at an approximately constant temperature and pressure.

In this connection I would mention that the locomotives of the Reichsbahn on the line generally have two crews (engine-driver and fireman) apiece. Only very rarely has it been possible to introduce three crews for this category of locomotives, for if it is to be effective the system requires trains always to arrive punctually so that the staff can easily be replaced without being obliged to return to its depot with a light engine.

On the other hand the three crew system is applied to shunting locomotives in the majority of the big stations for making up trains, where traffic allows. This system, which is also in force on certain American railways, has helped to realise considerable savings in Germany.

During periods of normal traffic work is interrupted for several hours in the classification yards on Sundays, often for as much as 16 hours. The locomotives are accordingly out of service for a corresponding time, which can be utilised for washing out the boilers or for minor repairs. In addition the locomotives are run into the sheds at least twice a month to have their boilers washed out, and sometimes even more frequently when the feed-water is of poor quality. Consequently the locomotives are not as a rule in continuous service for more than 8 to 10 days.

Work is organised in such a way that the shunting locomotives run from one set of tracks to another in order to be utilised to the utmost possible extent. A reserve locomotive takes the place of the locomotive in permanent service for an hour or two, while the latter is taking in fresh fuel and water or going to the ash-pit. The reserve locomotive travels from one set of tracks to another in order to carry out its duties as a substitute.

Lastly it must be added that as a result of the rise of coal prices in 1928 in almost all the German coalfields, largely in consequence

of an increase in the miners' wages, the Company's expenditure on fuel was greater in 1928 than in 1927. The majority of the other European railways (the Belgian railways, the Swiss Federal railways and the French railways) on the other hand benefited by more favourable coal prices in 1928 than in the preceding year. Some of these railways however consume a large proportion of German coal, but such coal is no doubt sold to them at the export price which is considerably below the home price.

Reorganisation of the workshops.

In order to secure the more rapid repair of rolling-stock and the consequent better utilisation of the same together with a corresponding saving on the operation of the railway, parallel with the maximum possible reduction in the cost of repairs, the Company has drastically reorganised its workshops.

The first measures in this direction date back to 1919, but it has only been possible to extend reorganisation gradually to the whole system and it will continue until 1930, although in its main features reorganisation may now be regarded as complete.

Reorganisation entailed the application of the following measures:

— The institution of closer collaboration between the department for the supervision and study of rolling stock and the repairs department.

— The distribution of the repair shops, which were formerly under the control of separate departments in the 30 District Managements, among 10 districts under the supervision of only 10 Managements: viz. Altona, Berlin, Breslau, Cassel, Dresden, Cologne, Bavarian group, Karlsruhe, Stuttgart and Königsberg.

— The closing down of old workshops or sections of workshops operating under uneconomical conditions and the establishment of a certain number of new workshops or new sections in existing workshops.

— A better distribution of repair work among the various shops and the allocation of certain shops to certain categories of work and even to the repair of certain types of rolling stock.

— The standardisation of rolling stock, spare parts and raw materials, by adopting industrial standards as far as possible.

— The introduction of more rational methods of work with the object of increasing the return upon and the quality of repairs. An adequate reduction of staff.

— The introduction of industrial methods of accounting throughout the workshops, in conjunction with fuller control of the duration of the various kinds of work, the raw materials, the spare parts, the utilisation of machine tools and the plant in general.

— The reconditioning and repair of all objects capable of being utilised again, and the restoration of all waste matter particularly in the case of costly metals.

— A reduction in the supplies of raw materials, spare parts and small tools.

— Establishing a certain number of new workshops or new sections in existing workshops.

Thanks to the reorganisation measures adopted, the Reichsbahn has been able to close down 20 workshops completely: Cassel-Oberstadt, Berlin 2 (Markgrafenstrasse), Berlin-Leb, Breslau 1 and 4, Erfurt, Giessen, Guben, Greifswald, Arnsberg, Pieschen, Betzdorf, Rottweil, Minden, Ratibor, Mainz, Eschwege, Hoyerswerda, Bruns-wick (Alt), Ratisbon.

In addition the Reichsbahn has abolished:

1. 24 locomotive sections in the workshops of Glogau, Witten, Langenberg, Harburg, Malchin, Oldenburg, Wittenberge, Os-nabrück, Berlin 1, Potsdam, Frankfort (Oder), Grunewald, Eberswalde, Crefeld-Oppum, Jena, Fulda, Limburg, Osterode, Karlsruhe, Siegen, Neu-Münster, Halberstadt, Cologne (Nippes) and Munich (main station).
2. 14 passenger car sections in the workshops of Osterode, Lan-genberg, Göttingen, Sebaldsbrück, Frankfort (Oder), Grunewald, Stargard, Schneidemühl, Jena, Oldenburg, Meiningen, Cottbus, Jülich and Witten.
3. 10 freight car sections at Glückstadt, Stendal, Lingen, Schneidemühl, Oppeln, Offenburg, Lauban, Halberstadt, Opladen and Witten.

In addition the four repair shops at Marienburg, Stolp, Radebeul and Schwerin have been transformed into depot shops, and in 1930 the Company will close down the shops at Frankfort (Oder) and Glogau. Originally it was proposed to close these shops down in 1929, but the measure has been postponed in view of the un-employment crisis.

Among the installations wholly or partly completed mention may be made of the following workshops:

Dessau (electric locomotives),

Freimann near Munich (steam and electric locomotives, pas-senger and freight cars),

Schweidnitz (passenger and freight cars),

Brunswick (steam locomotives),

Brandenburg-West (passenger and freight cars),

Niederschöneweide near Berlin (electric railcars and trailers).

The system of accounting on industrial lines throughout, which was introduced experimentally in the Grunewald (Berlin) work-shop as from April 1, 1924, and in 11 other shops on January 1, 1928, has since been extended to all the other workshops.

This system of accounting supplies elements for calculating the real cost of the work and for checking the prices demanded by private enterprise. It induces a healthy rivalry between the various Reichsbahn workshops and between these and private firms. It makes it possible to ascertain the causes underlying certain ex-aggerated cost prices, and to judge whether certain shops or sections of shops should be closed down or transformed, or whether their working methods require reorganisation.

In order to calculate the economic results of reorganisation of the workshops, the Management compared the cost of ordinary and extraordinary upkeep in 1926, 1927 and 1928 with that of 1913 which amounted to *R.M* 247.70 millions.

In order to establish the comparison on similar bases, the Reichs-bahn first of all calculated the expenditure arising from the general

increase of costs, and secondly the miscellaneous additional expenditure for the execution of additional work to the rolling stock, which would have to be added to the actual expenditure of 1913 in order to allow for the position which the Management had to face in 1926, 1927 and 1928 respectively. Among the expenditure arising from the general increase of costs the Company includes the following increases:

- a) in individual wages,
- b) in holidays with pay,
- c) in the cost of raw materials and spare parts (approximately 40 per cent in 1926, and 44 per cent in 1927 and 1928),
- d) in the prices of various supplies and the cost of works (approximately 60 per cent in 1926, and 66 per cent in 1927 and 1928).

The miscellaneous additional expenditure comprises that arising from:

- a) the modification of the rolling stock park and the additional works required for perfecting the types of rolling stock;
- b) the additional plant required for various reasons (the execution of the special programme of improvements to rolling stock, equipment of rolling stock with the Kunze-Knorr brake, application of new methods of reconditioning and restoring mechanical plant, metals and other materials, standardisation, provision of gauges, etc.).

According to the calculations of the Management the expenditure was reduced by comparison with 1913 by

Millions of *Rℳ*
35.40 in 1926
34.40 » 1927
56.05 » 1928

as is shown by the following table.

	1926	1927	1928
	in millions of <i>Rℳ</i>		
Actual expenditure in 1913.....	247.70	247.70	247.70
Expenditure arising from the general increase of costs	131.10	143.40	163.26
Miscellaneous additional expenditure	223.15	219.44	163.39
Together	601.95	610.54	574.35
Actual expenditure in 1926, 1927 and 1928.....	566.40	576.30	518.30
Reduction of expenditure.....	35.55	34.24	56.05

Against this reduction of expenditure must be set the additional charges arising out of the increase of officials' salaries (pensions, relief) together with the interest on the sums devoted to new works and to improvements and extensions in the workshop plant, namely

Millions of *Rℳ*
14.40 in 1926
14.44 » 1927
14.38 » 1928

The ultimate saving accordingly amounts to:

Millions of *R.M.*
21.15 in 1926
19.80 » 1927
41.67 » 1928

These economic results, which are much more satisfactory in 1928 than in 1926, appear therefore to justify the reorganisation measures adopted in the workshops, as the utilisation of the rolling stock was much higher in 1928 than during the preceding years, as is shown by the following figures.

Kilometers in 1,000	1926	1927	1928
Locomotive-kilometers	968,185	1,017,407	1,061,938
Train-kilometers	569,586	605,813	646,201
Axle-kilometers	26,570,422	28,623,744	29,822,083

As I explained in the chapter dealing with rolling stock, during the last few years there has been an appreciable reduction in the average duration of big repairs to locomotives, and on the other hand a pronounced increase in the average distance covered by a locomotive between two big repairs.

From what has been said it appears therefore that the reorganisation of the workshops has had a beneficial effect upon the quality and durability of repairs, although this may also be due in part to the improvement of rolling stock and the putting into service of a certain number of new and better class machines.

Gaston LEVERVE.
Commissioner for the German Railways.

Annex I.

Managing Board of the German Railway Company.

Messrs. C. F. von Siemens, Chairman,
C. Stieler, Vice-Chairman,
M. Margot, Vice-Chairman,
A. von Batocki,
C. Bergmann,
G. Bianchini,
D. Fischer,
M. Herrmann,
V. von Hertel,

*Commissioner
for the German
Railway Company:*
M. G. Leverve.

Messrs. J. Jadot,
O. Jeidels,
P. Klöckner,
Sir Osborne Mance,
Messrs. O. von Miller,
H. Münchmeyer,
H. Schmitz,
P. Silverberg,
W. Welker.

*Trustee
for the German
Railway Bonds:*
M. L. Delacroix.

**General Management
of the German Railway Company.**

Messrs. Dorpmüller, General Manager.
Weirauch, Assistant General Manager.
Vogt, Traffic and Rates Manager.
Kumbier, Manager of the Operating and Permanent Way
Department.
von Frank, Manager of the Bavarian Administrative Group.
Anger, Manager of the Engine Department (workshops and
rolling-stock).
Jahn, Manager of the Accounting and Legal Departments.
Wolf, Manager of the Administrative Departments.
Hammer, Manager of the Supplies Department.

Annex II.**Service of Reparation Bonds.**

Date	Gold Marks ¹	Reichsmarks ²	Business year of the Company
<i>First reparation year:</i>			
Total	200,000,000	199,892,419.82	Business year 1925
<i>Second reparation year:</i>			
Total	595,000,000	586,512,850.67	Business year 1926
<i>Third reparation year:</i>			
Total	550,000,000	543,718,344.22	Business year 1927
<i>Fourth reparation year:</i>			
October 1, 1927	55,000,000	53,858,526.23	
November 1, 1927	55,000,000	53,971,773.63	
December 1, 1927	55,000,000	54,315,254.38	
January 2, 1928	55,000,000	54,562,119.51	
February 1, 1928	55,000,000	54,837,856.20	
March 1, 1928	55,000,000	55,003,960.00	
April 2, 1928	55,000,000	53,769,646.25	
May 1, 1928	55,000,000	53,991,672.87	
June 1, 1928	55,000,000	54,156,381.03	
July 2, 1928	55,000,000	54,403,138.39	
August 1, 1928	55,000,000	54,525,326.73	
September 1, 1928	55,000,000	54,799,360.00	
Total	660,000,000	652,195,015.22	Business year 1928
<i>Fifth reparation year:</i>			
October 1, 1928	55,000,000	53,440,523.71	
November 1, 1928	55,000,000	53,734,011.41	
December 1, 1928	55,000,000	53,992,482.12	
January 2, 1929	55,000,000	54,350,281.72	
February 1, 1929	55,000,000	54,691,618.71	
March 1, 1929	55,000,000	55,017,270.00	
April 2, 1929	55,000,000	53,730,642.54	
May 1, 1929	55,000,000	54,019,421.69	Business year 1929
June 1, 1929	55,000,000	53,935,172.86	
etc.	etc.	etc.	

¹ Amounts due from the Company, without deduction for the discount on advance payments in respect of the semi-annual instalments provided for in § 8 of the statutes of the Railway Company.

² Amounts paid by the Company, taking into account the conversion from gold marks into reichsmarks and the discount allowed to the Company for advance payments. The discount has been calculated at the rate of 6 per cent for the first three reparation years, and at the rate of 5 per cent for the fourth year. It is fixed at 6 per cent for the fifth year.

Annex III.

Payment of the Transport Tax.

First reparation year

The Company paid the whole of the proceeds of the tax to the Reich.

Second reparation year

Payments of the Company for reparation account:

13 monthly payments spread over the period September 21, 1925, to September 15, 1926
total value in gold marks.... 250,000,000.00

Total proceeds of the tax (in reichsmarks)..... 271,486,419.23

Third reparation year

Payments of the Reich on reparation account:

12 monthly payments of 22,500,000.00 gold marks spread over the period September 25, 1926, to August 25, 1927
a thirteenth payment of 20,000,000.00 gold marks on September 15, 1927
total value in gold marks.... 290,000,000.00

Payment each month by the Company to the Reich of the actual proceeds of the tax, totalling (in reichsmarks)..... 300,376,976.68

Fourth reparation year

Payments of the Company to the Reich		Payments of the Reich to the reparation account		
Date	Amount in reichsmarks	Date	Amount in reichsmarks	Value in gold marks
October 21, 1927.	26,998,288.77	October 15, 1927..	24,148,817.97	24,166,000
November 21, 1927	26,773,722.35	November 15, 1927	24,160,635.15	24,166,000
December 21, 1927	23,344,411.63	December 15, 1927	24,194,950.87	24,166,000
January 21, 1928	24,046,298.98	January 16, 1928..	24,222,161.78	24,166,000
February 21, 1928	23,961,422.25	February 15, 1928.	24,186,661.93	24,166,000
March 21, 1928 ..	22,489,372.33	March 15, 1928..	24,138,160.77	24,166,000
April 21, 1928 ...	25,873,736.94	April 16, 1928....	24,147,633.84	24,166,000
May 21, 1928....	24,848,015.91	May 15, 1928....	24,128,687.70	24,166,000
June 21, 1928....	26,933,572.19	June 15, 1928....	24,139,272.40	24,166,000
July 21, 1928....	28,310,192.07	July 16, 1928....	24,102,660.91	24,166,000
August 21, 1928.	29,774,107.14	August 15, 1928 ..	24,108,581.58	24,166,000
September 21, 1928	30,303,796.27	September 21, 1928	24,085,208.90	24,174,000
October 22, 1928 ..	375,187.37			
November 22, 1928	422,300.18			
December 21, 1928	775,877.87			
January 21, 1929.	49,879.59			
Total	315,280,181.84	Total	289,763,433.80	290,000,000.00

Fifth reparation year

Payments of the Company to the Reich		Payments of the Reich to the reparation account		
Date	Amount in reichsmarks	Date	Amount in reichsmarks	Value in gold marks
October 22, 1928 ..	28,661,464.85	October 15, 1928 ..	24,121,088.33	24,166,666.66
November 22, 1928	27,724,417.45	November 15, 1928	24,083,219.16	24,166,666.66
December 21, 1928	24,201,049.22	December 15, 1928	24,078,506.66	24,166,666.66
January 21, 1929 ..	25,098,279.20	January 15, 1929 ..	24,142,379.16	24,166,666.66
February 21, 1929.	23,069,062.38	February 15, 1929	24,202,699.16	24,166,666.66
March 21, 1929 ...	19,768,526.08	March 15, 1929 ..	24,174,254.99	24,166,666.66
April 22, 1929....	25,762,175.72	April 15, 1929 ..	24,215,724.99	24,166,666.66
May 21, 1929	26,230,010.12	May 15, 1929 ..	24,212,172.49	24,166,666.66
June 21, 1929	29,181,033.08	June 15, 1929 ..	24,073,769.99	24,166,666.66
etc.		etc.		

Annex IV.

**Operating Account of the German Railway Company
for the Business Year 1928.**

Receipts	Reichsmarks
Passenger traffic	1,443,338,036.54
Goods traffic	3,276,357,469.51
Other receipts	439,534,808.85
Total	5,159,230,314.90
Payments	
<i>I. Payments for Traffic and Maintenance</i>	
a) Payments to staff	
Salaries of officials	1,205,928,311.39
Wages of employees and workmen of Traffic Department	459,833,918.16
Pensions and retaining pay of officials, pensions of other persons having claims on the Company	482,233,490.81
Other payments on account of staff	297,054,583.98
Total	2,445,050,304.34
Less: General costs in connection with the renewal and the extension of installations	80,169,107.37
Balance a): Payments to staff	2,364,881,196.97
b) Payments for material	
Consumption of coal and other working material, maintenance of furniture and equipment	449,897,978.26
Maintenance of permanent way and structures	285,159,766.47
Maintenance of rolling stock	472,189,685.98
Other payments for material	108,462,462.45
Total	1,315,709,893.16
Less: General costs in connection with the renewal and the extension of installations	34,358,188.87
Balance b): Payments for material	1,281,351,704.29
Total payments for Traffic and Maintenance (a + b)	3,646,232,901.26
<i>II. Payments for Renewals</i>	
Renewal of furniture and equipment	2,230,755.98
Renewal of permanent way and structures	392,537,723.66
Renewal of rolling stock	253,368,560.36
Total payments for renewals	648,137,040.00
Grand total of Operating Payments (I + II)	4,294,369,941.26
Surplus	864,860,373.64

Annex V.

Profit and loss account of the German Railway Company for the business year 1928.

Debit	Reichsmarks	Credit	Reichsmarks
To		By	
Service of reparation bonds:		Brought forward from 1927	173,171,673.21
interest	545,106,485.00	1928 operating account surplus	864,860,373.64
sinking fund	113,231,250.00		
Service of new debts and loans	2,500,844.13		
Legal reserve	103,184,606.30		
Reserve for writing off concession	25,000,000.00		
Net profits	249,008,861.42		
To be distributed as follows:			
Preference dividend:			
Instalment paid on bonds of Series IV and V	12,250,000.00		
Still to be paid (Series I, II and III, and balance for Series IV and V)	63,420,000.00		
Carried forward to next year	173,338,861.42		
Total	249,008,861.42		
		Total	1,038,032,046.85

Annex

Balance Sheet of the German Railway

Assets	reichsmarks
Concession in respect of the original property taken over	24,500,000,000.00
Less legal amortisation	149,897,916.67
Concession in respect of increases of plant	1,280,814,403.01
Working supplies	310,636,782.47
Cash in hand	76,912,907.30
Credit balances with banks	532,786,784.31
Securities	165,211,178.53
Commercial paper	495,573.00
Claims { On traffic receipts account ..	18,681,853.93
Claims { On insurance and welfare organisations	205,387.63
Claims { Other claims	76,663,528.64
Suspense accounts	77,331,374.21
Holdings in other undertakings	17,600,000.00
Total	26,907,441,856.36

Gold mark amounts are entered at the rate of one gold mark = one reichsmark.

Berlin, May 29, 1929

Chairman of the Managing Board
(signed) *C. F. von Siemens*

The German

VI.

Company as at December 31, 1928.

Liabilities	reichsmarks
Ordinary shares.....	13,000,000,000.00
Preference shares:	
a) The proceeds of which the Reich is entitled to claim	500,000,000.00
b) The proceeds of which go to the German Railway Company	1,500,000,000.00
Less those not yet issued	919,000,000.00
Reparation bonds	11,000,000,000.00
Less legal amortisation	149,897,916.67
Legal reserve	10,850,102,083.33
Working reserve	408,159,656.42
Reserve for writing off concession	756,085,548.72
Sundry debts	365,000,000.00
Caution moneys and suspense accounts.....	4,800,469.78
Credits of the Reich:	
To combat unemployment ..	80,000,000.00
To complete lines the con- struction of which has been interrupted	48,511,072.41
Insurance and welfare organi- sations	3,350,035.20
Other debts	61,424,129.08
Net profit..... to be distributed as follows:	198,085,706.47
Preference dividend:	249,008,861.42
Instalment paid on bonds of Series IV and V.....	12,250,000.00
Still to be paid (Series I, II and III and balance for Series IV and V) ..	63,420,000.00
	75,670,000.00
Carried forward to next year.....	173,338,861.42
	249,008,861.42
	Total
	26,907,441,856.36

Railway Company

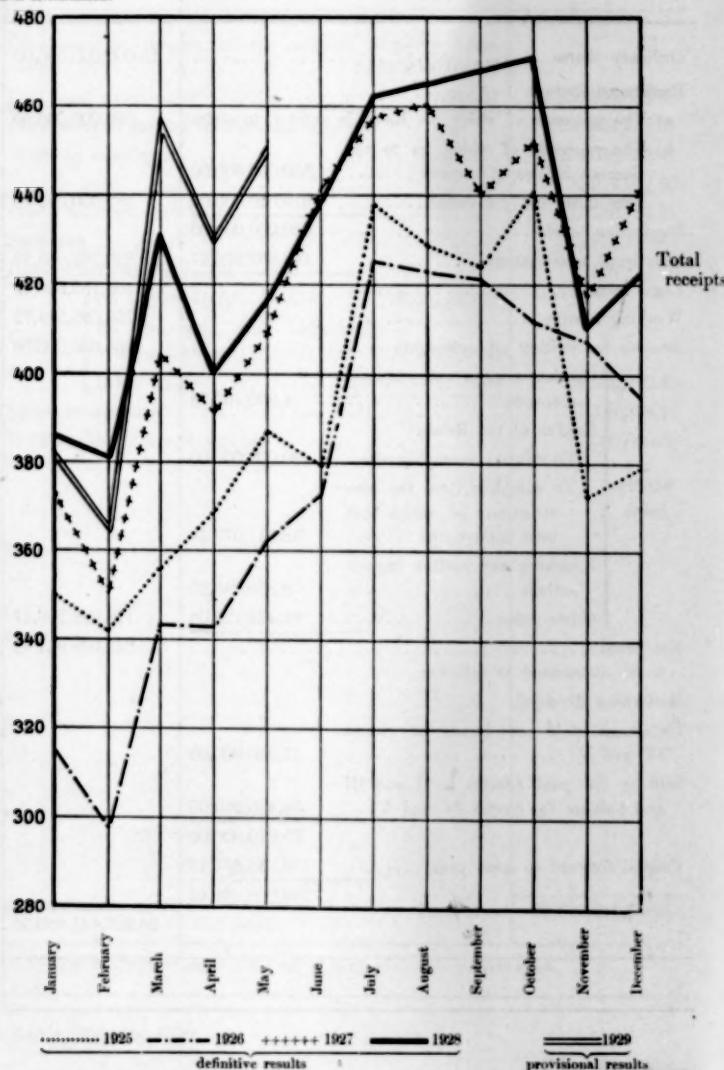
General Manager

(signed) *Dorpmueller*

Annex VII.

GERMAN RAILWAY MONTHLY RECEIPTS
in 1925, 1926, 1927, 1928 and 1929

In million Reichsmarks

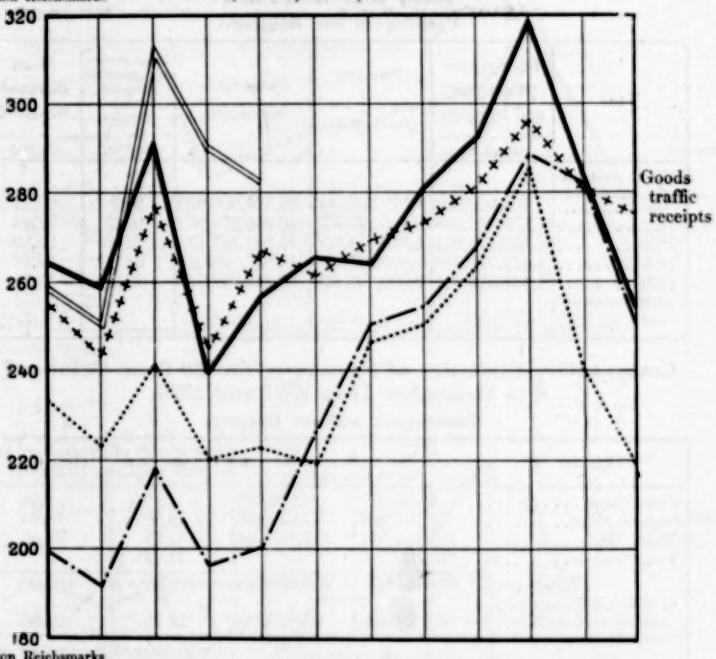


In the total receipts are included the miscellaneous receipts as well as the passenger traffic and goods traffic receipts.

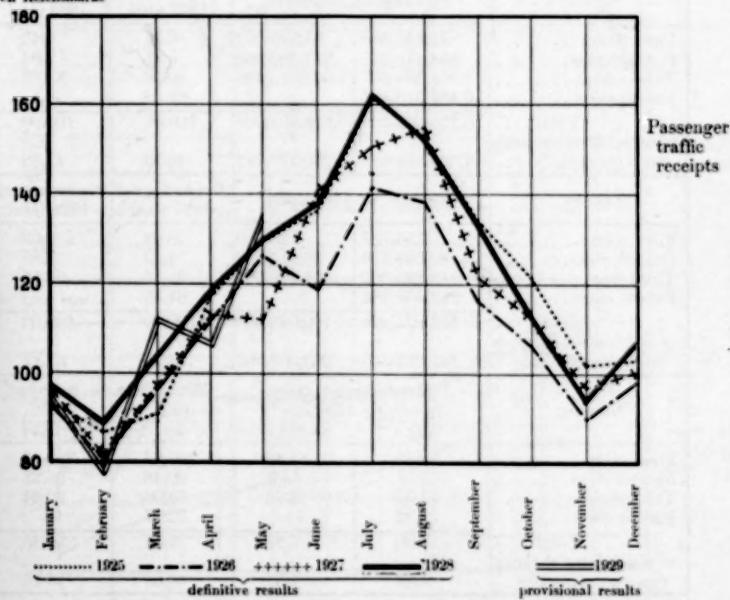
Annex VII.

GERMAN RAILWAY MONTHLY RECEIPTS
in 1925, 1926, 1927, 1928 and 1929

In million Reichsmarks



In million Reichsmarks



January February March April May June July August September October November December

..... 1925 - - - 1926 + + + + 1927 — 1928

definitive results

— 1929
provisional results

Annex VIII.

Comparative statistics of Passenger Traffic in 1913, 1925,
1926, 1927 and 1928.
Passengers and Baggage.

Year	Receipts for passengers and baggage	Number of passengers (in R.M.)	Passenger-kilometers	Mean receipt per passenger-kilometer (with baggage)	Mean distance travelled
	(in R.M.)			(in Pfg.)	(in km)
1913 (without the ceded territories).....	904,000,000	1,577,000,000	36,599,000,000	2.47	23.21
1925	1,430,742,938	2,106,277,975	48,950,272,942	2.92	23.24
1926	1,320,175,242	1,819,411,756	42,922,387,124	3.08	23.59
1927	1,379,571,979	1,909,235,890	45,547,898,048	3.03	23.86
1928	1,443,338,037	2,009,445,671	47,649,042,700	3.03	23.71
1928 as compared with 1927	+ 4.62%	+ 5.25%	+ 4.61%	—	- 0.63%

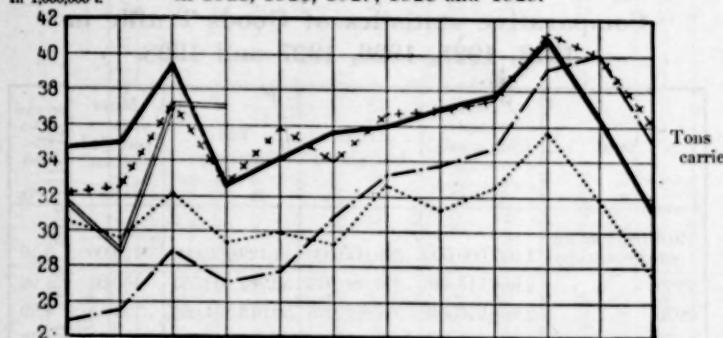
Comparative Statistics of Passenger Traffic from October 7 to December 31 in 1927 and 1928.

Passengers without Baggage

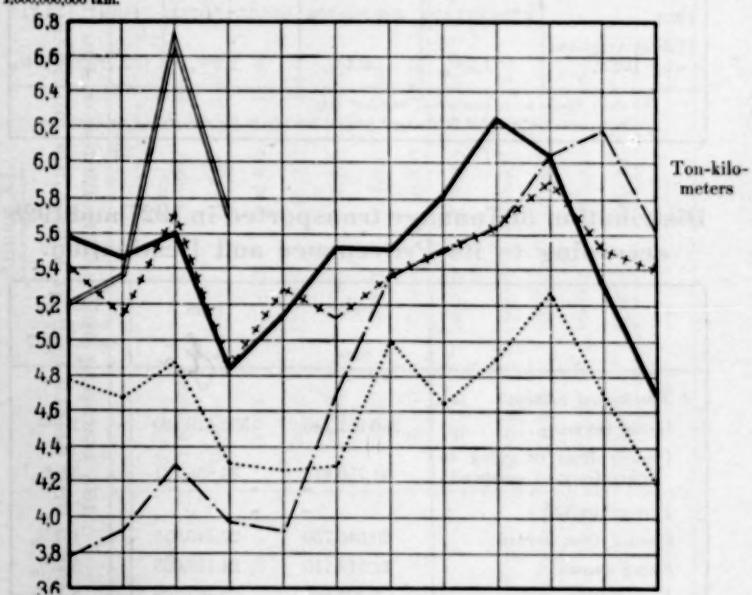
Classes	1927	1928	Percentage of 1927 total	Percentage of 1928 total
	Receipts in R.M.			
First class.....	4,372,267	4,766,263	1.49	1.68
Second class.....	34,201,248	47,523,695	11.70	16.76
Third class.....	103,454,706	231,216,796	35.38	81.56
Fourth class.....	150,386,287	—	51.43	—
Total	292,414,508	283,506,754	100.00	100.00
of which fares at cheap rates accounted for	62,129,313	66,917,735	21.25	23.60
Classes	Passenger-kilometers		Percentage of 1927 total	Percentage of 1928 total
First class.....	41,845,000	41,845,091	0.41	0.43
Second class.....	598,475,241	947,200,469	5.85	9.64
Third class	3,104,269,287	8,833,013,446	30.36	89.93
Fourth class.....	6,482,013,832	—	63.38	—
Total	10,220,603,360	9,822,059,006	100.00	100.00
of which fares at cheap rates accounted for	4,026,831,480	4,250,577,712	39.38	43.28
Classes	Number of passengers		Percentage of 1927 total	Percentage of 1928 total
First class.....	156,707	126,669	0.04	0.03
Second class.....	20,299,736	36,114,722	4.47	7.85
Third class	140,825,398	423,800,681	31.04	92.12
Fourth class.....	292,409,584	—	64.45	—
Total	453,691,425	460,042,072	100.00	100.00
of which fares at cheap rates accounted for	242,052,246	263,008,565	53.35	57.17
Classes	Mean receipt per passenger-kilometer		Mean distance travelled	
	Pfg.	Pfg.	1927 km	1928 km
First class.....	10.45	11.39	267.03	330.35
Second class.....	5.71	5.02	29.48	26.23
Third class	3.33	2.62	22.04	20.84
Fourth class.....	2.32	—	22.17	—
Total	2.86	2.89	22.54	21.35
of which fares at cheap rates accounted for	1.54	1.57	16.64	16.16

GOODS TRAFFIC.

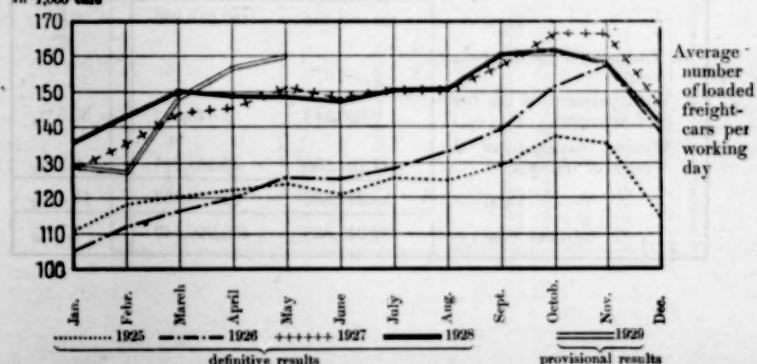
In 1,000,000 t.



In 1,000,000,000 tkm.



In 1,000 cars



The above figures cover commercial transport only.

Annex X.**Comparative statistics of Goods Traffic in
1913, 1925, 1926, 1927 and 1928.**

Year	Total receipts from goods carried in R.M.	Tons transported	Ton- kilometers	Mean distance travelled per ton	Receipts per ton- kilo- meter in Pfg.
				in km	
1913 (without the ceded territories)	1,927,000,000	399,000,000	51,429,000,000	129.00	3.59
1925	2,868,713,446	373,008,913	55,965,403,531	150.04	4.92
1926	2,830,619,404	381,868,296	59,016,334,065	154.55	4.59
1927	3,226,400,653	434,063,454	64,887,715,154	149.49	4.76
1928	3,276,357,470	432,259,226	66,337,574,734	153.47	4.74
1928 as compared with 1927	+ 1.5 %	— 0.4 %	+ 2.2 %	+ 2.7 %	— 0.4 %

The above figures cover commercial transport only.

Accessory costs are included in the total receipts but not in the receipts per ton-kilometer.

**Distribution of Tonnage transported in 1927 and 1928
according to its Provenance and Destination.**

	1927	1928	1928 as compared with 1927
	tons	tons	
<i>I. Commercial tonnage:</i>			
Inside Germany	356,251,140	352,449,499	— 1.1 %
Coming from or going to other German companies	31,759,813	32,865,171	+ 3.5 %
Foreign traffic:			
Coming from abroad	20,646,730	20,440,815	— 1.0 %
Going abroad	22,913,115	24,138,003	+ 5.3 %
In transit	2,492,656	2,365,738	— 5.1 %
Total	434,063,454	432,259,226	— 0.4 %
<i>II. Tonnage for the Company's use:</i>			
With payment of the costs of transport	7,830,543	5,443,082	— 30.5 %
Without payment of the costs of transport	47,151,339	43,263,841	— 8.2 %
Total	54,981,882	48,706,923	— 11.4 %
Grand total	489,045,336	480,966,149	— 1.7 %

Annex XI.

Quantities and prices of new materials employed in 1928 and 1913
for renewal and maintenance of the tracks.

Nature of material	Units	Ordinary maintenance Quantities	Renewal's Quantities	1928		1913 (without ceded territories)	
				Total quantities	Unit Price in $\mathcal{R}M$	Expenditure in 1,000,000 $\mathcal{R}M$	Maintenance and renewals Quantities
Rails	tons	30,000	314,400	344,400	141.0	48,560	269,000
Rail fittings	"	50,000	135,200	185,200	245.0	45,374	120,500
Paints	"	47,000	22,900	69,900	330.0	23,067	40,600
Metal sleepers for tracks . . .	"	23,000	99,800	122,800	155.0	19,034	137,000
" " " points . . .	"	35,000	14,000	49,000	160.0	7,810	24,700
Total	"	185,000	586,300	771,300	186.5	143,875	591,800
Wooden sleepers for tracks	sleepers	3,000,000	3,436,000	6,436,000	7.2	46,339	3,940,000
Wooden sleepers for points	running meters	800,000	151,600	951,600	3.7	3,521	424,000
Ballast	cubic meters	1,400,000	5,064,000	6,464,000	6.3	40,723	6,100,000
Miscellaneous material	$\mathcal{R}M$	1,100,000	1,900,000	3,000,000	—	3,000	1,900,000
Grand total	$\mathcal{R}M$	—	—	—	—	237,458	—
						—	119,728

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and the rest of the same line to the right but nothing
else.

At a
group

REPORT
OF THE
COMMISSIONER
OF
CONTROLLED REVENUES

June 21, 1929

BERLIN

REPORT
ON THE
CONSTITUTION
OF THE
CO-OPERATIVE BANK

1841. 1. 10.

1841. 1. 10.

Report of the Commissioner of Controlled Revenues.

September 1, 1928, to March 31, 1929.

I.

(1) This report covers the first seven months of the fifth annuity year, which were the last seven months of the German financial year 1928-29. During the fifth annuity year the controlled revenues are called upon to provide 1,250 million gold marks, or 104½ millions per month. In February, 1928, an arrangement was made with the Finance Minister of the Reich whereby, as from the beginning of the fifth annuity year, the revenues flowing into my account at the Reichsbank should be blocked as from the last working day of each month, and the transfer of the monthly contribution to the Agent General made in three instalments, viz: of 30 million, 30 million, and 44½ million gold marks, each transfer being made as soon as sufficient funds were available. This system has worked well from the start, the final transfer having usually been made by the middle of each month, after which incoming revenues have been automatically released to the German Government. During the seven months a total of 727,567,098.34 Reichmarks, corresponding to 729,166,666.67 gold marks, has been retained from the receipts of the controlled revenues and transferred to the Agent General.

(2) The reserve fund of 100 million gold marks having been completely constituted in June, 1928, the whole of the interest earned by the fund investments, less taxes and bank charges, has since been returned to the German Government. A statement of the income and expenditure of the reserve fund for the period covered by this report, and the balance sheet as at March, 31, 1929, are annexed hereto.

II.

(1) In the seven months under review the monthly yield of the controlled revenues was as follows:

	1928				1929			Total
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
	In thousands of reichsmarks							
Customs . .	84,397	85,393	75,751	75,483	153,822	61,862	71,290	607,908
Tobacco . .	74,836	75,560	74,376	80,210	79,921	68,460	77,579	530,942
Beer	42,087	41,543	35,314	32,141	30,482	30,731	26,679	238,977
Alcohol . . .	26,203	22,391	25,050	27,873	28,598	28,448	38,076	196,639
Sugar	16,846	15,479	11,836	17,264	14,069	12,838	9,449	97,781
Total	244,369	240,366	222,327	232,971	306,892	202,339	223,073	1,672,337

The monthly average was in round figures 239 million marks, as compared with 243 million marks in the corresponding months of 1927-28 and 231 million marks in the months April to August, 1928. The following table shows that during the period only Customs duties and the sugar tax produced less revenue than in the corresponding period a year earlier, whereas the other revenues show appreciable increases:

	September 1927 — March 1928	September 1928 — March 1929
Total receipts in thousands of reichsmarks		
Customs	718,620	607,998
Tobacco	490,877	530,942
Beer	217,033	238,977
Alcohol	163,450	196,639
Sugar	107,974	97,781
Total	1,697,954	1,672,337

When comparing the yields of these two periods the following factors must be borne in mind: (1) the receipts from the tobacco tax in the second period contain about 17 million marks from a source which did not exist in the first period, viz: the fortnightly instalment payments, under the law of March 31, 1928, of old cigarette tax liabilities; (2) sugar tax receipts during one month of the earlier period were from assessments at 21 RM. for 100 kgs, whereas the lower rate of tax was in force during the whole of the later period.

(2) As will be seen from the following table the receipts in the financial year 1928-29 slightly exceeded the budget estimates, but fell somewhat short of the receipts of the previous year:

	Estimated yield in 1928-29	Receipts ¹ in	Receipts in
		1928-29	1927-28
In thousands of reichsmarks			
Customs	1,200,000	1,104,599	1,250,824
Tobacco	780,000	870,523	793,906
Beer	370,000	396,894	360,221
Alcohol	270,000	296,971	261,028
Sugar	140,000	158,218	224,457
Total	2,760,000	2,827,205	2,890,436

¹ These figures take into account the adjustments made by the Finance Ministry at the close of the financial year.

It will be noted that Customs duties in 1928-29 produced 95 millions less than the estimates and 146 millions less than the receipts of the previous year. The excess yield from the other revenues, especially the tobacco tax was, however, as anticipated in my previous report, sufficient to cover the considerable shortage from

Customs duties and further to produce an excess of 67 million marks, or 2.4 per cent of the total estimates. In comparing the revenue of the financial year 1928-29 with that of the 1927-28 it should be remembered that during the first half of the latter year the sugar tax was levied at the rate of 21 reichsmarks per 100 kg, whereas the whole of the sugar tax receipts in 1928-29 came from assessments at the present rate of tax, which is one-half of the old rate. The loss from this tax reduction more than covers the amount by which revenue in 1928-29 is less than that of the previous year.

(3) The original estimates of the yield of the controlled revenues for 1929-30, as contained in the Budget plan approved by the Reichsrat on March 5, 1929, and presented to the Reichstag on March 11, and a comparison of these estimates with the final estimates for, and the actual receipts in the year 1928-29, are shown in the following table:

	Estimated Receipts		Actual Receipts in 1928-29
	1929-30	1928-29	
	In millions of reichsmarks		
Customs	1,200	1,200	1,105
Tobacco	825	780	870
Beer.....	535	370	397
Alcohol	360	270	297
Sugar.....	150	140	158
Total	3,070	2,760	2,827

The estimated increase of 310 millions over the estimates for 1928-29 was anticipated from the following sources: the beer and the alcohol taxes were to produce 165 and 90 million marks respectively in consequence of increased rates and changes in the taxation system, whilst increased consumption of tobacco and sugar was expected to bring in 55 millions more than the estimates of the previous year. The estimate for Customs duties was kept at the figure of the previous year, the deficit in 1928-29 being considered as due solely to diminished imports of grain in consequence of an abnormally good harvest.

These original estimates for 1929-30 will probably, however, be subjected to important modifications before the budget is finally voted. In March it was seen that the budget bill and the relevant taxation bills could not be passed before the beginning of the financial year, and on March 20th an emergency budget bill authorizing expenditure until June 30th was voted. It is expected that the definitive budget will be voted before the end of June, and that the bill relating to an increase of the beer tax rate will be withdrawn. The latest estimates of the yield of the controlled revenues appear to be those placed before the Reichstag committee on June 8th, which are as follows:

	In millions of reichsmarks
Customs	1,200
Tobacco	859
Beer	370
Alcohol	340
Sugar	150
Total	2,919

The total estimated is only 92 million marks above the total receipts of the previous year, and, except in the case of Customs duties, the estimates do not appear to be over sanguine.

III.

1. Attention was drawn in the last report to the fact in the period from April to August, 1928, there was some falling off in the yield of customs duties, thanks mainly to lower cereal importations. This falling off became very marked subsequently, with the result that the customs receipts for the seven months reviewed in this report only reached 608 million reichsmarks, as compared with 719 millions in the corresponding period a year earlier. The larger proportion of this loss of revenue, amounting approximately to 88 million marks, represents the decrease in the net yield of duties on the principal cereals, as will be seen from the following figures :

	Sept. 1928 — March 1929		Sept. 1927 — March 1928	
	Net receipts	“Einfuhr- scheine” accepted in payment	Net receipts	“Einfuhr- scheine” accepted in payment
	In thousands of reichsmarks			
September	15,223	5,591	22,121	2,164
October	12,573	8,499	23,831	2,546
November	10,242	7,753	26,808	2,425
December	1,656	13,224	21,028	3,777
January	7,401	8,667	19,652	3,095
February	5,343	3,287	15,712	3,691
March	5,188	3,651	16,652	4,184
	57,626	50,672	145,804	21,882

It will be noticed that the value of the “Einfuhrscheine” admitted in payment has more than doubled. This can of course have no effect on the net yield of the duties so long as Germany cannot grow enough for her own needs, since exports must at some later date be replaced by imports, but it is interesting as an indication of more freedom in marketing. In the last resort the changes in the cereal market, as disclosed by the table, are the consequence of the good harvest of 1928 and there is no reason to expect any appreciable increase of cereal importations in the coming months.

The following figures tend to show that the importation not only of cereals but of most other merchandise has been on a lower scale than a year ago.

Imports	Average Monthly Value In millions of reichsmarks							
	First half of 1927	July- Sept. 1927	Oct.- Dec. 1927	Jan.- March 1928	April- June 1928	July- Sept. 1928	Oct.- Dec. 1928	Jan.- March 1929
1. Livestock	13.8	13.9	15.5	12.8	11.1	10.6	13.8	9.7
2. Foodstuffs and beverages	345.1	374.5	377.5	368.2	323.9	353.9	352.9	315.6
3. Raw materials and semi-manufactured goods	579.4	585.5	653.1	665.5	584.4	568.0	596.3	599.0
4. Finished goods	182.1	224.9	257.1	231.4	202.6	184.8	200.6	195.0
Total	1,120.4	1,198.8	1,303.2	1,277.9	1,122.0	1,117.3	1,163.6	1,119.3

¹ As a result of a change in the method of compilation the statistics for October, 1928, include part of the importation properly ascribable to the last ten days of September. According to an estimate made by the Statistical Office, the monthly average for the period extending from October to December 1928 was in reality 1,146.8 millions.

It should be observed that the movement of merchandise was hampered during the greater part of the first quarter of 1929 by exceptional cold, in the absence of which some of the April importations (1,254.9 million marks) would certainly have taken place in February or March. The drop in imports has particularly effected raw materials, semi-manufactured and finished goods, and within these categories particularly textile products. On the other hand, imports of foodstuffs and beverages, apart from cereals, have slightly increased. In spite of the fact that imports as a whole have decreased, the customs receipts on merchandise other than cereals reached in the period under review the amount of 550 millions, or almost as high a figure as that of the corresponding period a year previously, when they amounted to 573 millions. The steadiness of these receipts is mainly due to the fact that the importation of certain articles of consumption subject to high duties of a fiscal character continues to grow, as appears from the following table :

	Average monthly amount of duties raised			
	April-August 1927	Sept. 1927 - March 1928	April-August 1928	Sept. 1928 - March 1929
	In thousands of reichsmarks			
Raw coffee	13,245	13,580	14,066	16,332
Raw tobacco	6,552	6,766	7,342	6,839
Cocoa	1,634	2,317	1,899	2,576
Tea	883	1,079	867	1,109
Total ...	22,814	23,742	24,174	26,856

The only change in customs legislation which calls for notice effected an increase, to which reference will be made later, in the rate of the duty on sugar.

It may be remembered that a large number of important duty rates in the tariff now in force were fixed by the law of August 17, 1925, which in particular re-imposed duties on cereals and other agricultural products which had been suspended during the war. This law, the main purpose of which was to furnish a basis for the negotiation of commercial treaties with a number of countries, was to have been in force only until July 31, 1927, but by the law of July 15, 1927, it was continued in force until December 31, 1929. It is expected that the Reichstag discussion respecting the tariff to enter into force on January 1 next will be opened after the summer recess. Agriculture is demanding a larger measure of protection on its chief products. The attention of the Government is at present being directed to the measures to be taken to raise and stabilise prices of bread cereals, which are now much lower than last autumn. On account of differences of opinion between the adherents of the establishment of a cereals monopoly and the supporters of an increase in the customs rates, the Government has appointed a board of experts to prepare a report on this question.

Previous reports have mentioned a bill for the ratification of the Geneva agreements respecting the abolition of import and export prohibitions and the autonomous reduction of certain import duties. The bill, after having been submitted to the Reichsrat and slightly modified by that body, was sent on November 30 last to the Reichstag, where it has not yet been discussed.

Within recent months Germany has concluded commercial arrangements involving reciprocal most-favoured-nation treatment with China, Panama, Paraguay, Estonia, Persia, and the Union of South Africa, subject to the restriction in the last case that Germany should not receive preferential rates of duty already accorded to the British Empire. The commercial treaty signed on October 30, 1928, with Lithuania provides for the reduction or the suppression of certain Lithuanian export duties as well as for most-favoured-nation treatment. Agreements, supplementing those already in existence, concluded with France, Sweden, Yugo-Slavia, and Switzerland, are designed principally to secure the grant by both sides of reduced import duties. From the point of view of the yield of the customs duties the most important of the concessions involved, which is contained in a supplementary agreement with Yugo-Slavia, extends the benefit of the conventional duty of 2.50 marks the metric quintal on maize and dari, which by the treaty of December 13, 1927, was restricted to maize used as a feeding stuff, to maize and dari for feeding purposes, for distillation, and for sowing. The new conventional duty came into force on November 13, 1928.

(2) In the course of the last four financial years the taxes on tobacco have yielded the following sums:

Quarter (Calendar Year)	Quantities taxed			Retail value (including tax) of taxed tobacco			
	Cigars	Cigarettes	Cut tobacco	Cigarettes	Cut tobacco	Chewing tobacco and snuff	Total
			tons				
1925	5,995	31,412	32,133	814	1,200	186	56
1926	5,682	28,338	37,647	749	1,277	218	59
1927 1st quarter	1,397	6,874	9,176	182	314	54	564
2nd "	1,577	8,120	9,855	211	376	59	661
3rd "	1,635	6,387	10,292	219	382	230	15
4th "	1,778	7,732	9,441	250	370	57	676
1928 1st quarter	1,644	8,610	8,980	222	409	55	14
2nd "	1,604	7,494	9,300	221	362	57	654
3rd "	1,638	6,804	8,467	32,741	943	1,578	14
4th "	1,918	8,170	9,430	225	407	59	705
1929 1st quarter	1,429	7,470	9,166	194	364	57	13

	1925-26	1926-27	1927-28	1928-29
	In thousands of reichsmarks			
Ad valorem tax on manufactured tobacco	595,171	535,051	664,217	722,461
Tax on leaf tobacco introduced into cigarette factories ("Materialsteuer") ..	3,536	103,729	128,478	
Tax on cigarette tobacco and cigarettes in factories and warehouses on October 1, 1925 ("Nachsteuer")	17,414	73,520	1,112	147,956
Tax on tobacco substitutes	38	81	99	106
Total	616,159	712,381	793,906	870,523

The excess realised in 1928-29 is partly due to the exceptional payments imposed on cigarette factories by the law of March 31, 1928, as explained in the report of May 10, 1928. During the budget year 1928-29 these payments amounted to about 28.5 million marks, with the result that the increase in normal payments would appear to have been only 48 million marks, as compared with 1927-28. This latter increase reflects the development in consumption which has continued in 1928 and which may be measured in the figures shown on the preceding page.

Consumption in 1928 of the two tobacco products which are fiscally the most important, cigars and cigarettes, continued to increase, while the consumption of cut tobacco slightly diminished. A study of the movement of consumption in the course of the last three quarters, however, shows that an apex was reached during the third quarter of 1928 except in the case of cigars, which attained their maximum during the fourth quarter. In this last quarter a certain increase in sale prices, which is probably connected with the fact that it covers the Christmas present season, largely compensated for the decrease in the quantities of cigarettes and pipe tobacco subjected to taxation. On the other hand the decrease in the first quarter of 1929 has been quite general and involves both quantities and values. In the quarter in question the taxes raised (*ad valorem* tax and "Materialsteuer" together) amounted only to 195.4 million marks, as compared with 226.8 million marks in the preceding quarter, with a monthly average respectively of 65.1 and 75.6 millions. This decrease in the taxes charged, the effect of which will be felt mainly in the receipts of the quarter from April to June 1929, is in part seasonal in character in so far as it represents the normal slackening of sales which follows Christmas, but the extent of the decrease which is apparent this year seems to be only explicable by a real falling off of consumption, which is due to the severe unemployment which was experienced last winter. An analogous situation occurred during the first quarter of 1926 when the tax raised on cigars in particular was gravely affected by the economic crisis. The improvement in the labour market which has taken place since March last authorises the hope that consumption will tend upwards in the current quarter.

Official statistics indicate a continuation of the movement referred to in the last report in favour of cigarettes at 5 to 6 pfennigs, to the detriment of cheaper cigarettes.

Budget Year (April—March)	Percentage of total consumption at prices indicated				
	2 pf.	3 pf.	4 pf.	5 pf.	6 pf.
1924—25.....	14.3	28.5	19.9	16.7	4.8
1925—26.....	5.3	31.2	23.3	25.0	6.2
1926—27.....	1.6	13.5	33.5	40.4	8.0
1927—28.....	1.3	6.6	31.2	48.8	9.5
1928—29.....	0.6	3.0	26.5	55.1	12.0

The average retail price of a cigarette has continued to increase, though less steadily than during preceding years. From an average price of 4.82 pfennigs prevailing during the second quarter of 1928 it has passed to 4.90 pfennigs during the fourth quarter of 1928 and to 4.87 pfennigs during the first quarter of 1929.

In this connection it is worth noting that the public appears to an increasing extent to be rolling its own cigarettes instead of purchasing them ready made. In the course of the last five financial years the quantities of cigarette paper sold retail, that is to say sold to smokers and not to cigarette factories, have been as follows, the figures for the last two years being provisional.

	In millions of papers
1924—25	289
1925—26	624
1926—27	1,699
1927—28	2,291
1928—29	2,724

Cigarette paper sold to smokers pays a duty of 1.50 marks per thousand papers, the yield of this duty being included in the receipts from the *ad valorem* tax on manufactured tobacco. The cut tobacco used in making the cigarette is, moreover, subject to an *ad valorem* tax of 45 per cent or 20 per cent. Nevertheless, the smoker who rolls his own cigarettes pays considerably less by way of taxation than the smoker who purchases them ready made, even if the latter buys cigarettes as cheap as 3 pfennigs apiece. If the practice continues to expand, it can hardly fail to affect the tax receipts to an appreciable extent.

In the early months of this year fresh and appreciable progress has been made in the direction of the concentration of the cigarette industry in the hands of strong firms. Competition between the factories seems to have been exacerbated at the beginning of the year and latterly several cases of agreements or fusions between factories, at the same time as the approaching liquidation of two important firms in the south of Germany, have been announced by the press. At the time of writing about four-fifths of the total

production is controlled by two groups which are theoretically independent of each other; there exists between them, however, an understanding, the scope of which is not exactly known, though it appears to extend at least to the commercial policy to be followed. Outside these two groups there is only one large factory, which enjoys, however, a favourable financial situation and furnishes about 10 per cent of the production, or as much and perhaps more than all the other independent factories together.

At the beginning of the month of April all the cigarette factories of any importance came to an agreement as to the terms which should be uniformly granted to the trade. This agreement implies an end of competition between the factories, in so far as this took the form of bidding for custom by granting increasingly favourable terms to the trade, and some reduction in the rebates hitherto granted to traders. Further, each factory which is a party to the agreement has undertaken to prohibit the retail sale by its purchasers of its cigarettes at less than the marked price, that is to say at less than the price indicated on the banderole, which determines the tax paid by the factory. The cigarette industry thus seems to have reached by natural evolution a state of stability and cohesion which vain efforts were made to create artificially in the past, and which seems much more conducive to a regular tax yield than the previous state of dispersion and merciless fighting among the factories.

(3) The yield of the beer tax in the period under examination was 238,977,000 marks, as compared with 217,033,000 marks during the same period a year earlier. The increase in receipts is due entirely to the fact that consumption grew continuously until the end of the third quarter of the budget year 1928-29. Consumption decreased, however, in the course of the fourth quarter, as may be seen from the following figures:

Financial Year April-March	Total Production	Imports	Export	Consumption
				In thousands of hectolitres
1924-25	38,149	156	515 ¹	37,758
1925-26	47,560	186	497 ²	47,215
1926-27	48,341	177	544 ³	47,962
1st quarter of 1927-28	13,531	42	137	13,436
2nd " " 1927-28	15,311	59	144	15,226
3rd " " 1927-28	11,186	37	129	11,094
4th " " 1927-28	11,591	56	143	11,504
1st quarter of 1928-29	14,655	40	145	14,550
2nd " " 1928-29	16,814	62	141	16,735
3rd " " 1928-29	12,606	53	139	12,520
4th " " 1928-29	10,922	42	147	10,817

While consumption during the first three quarters of the year 1928-29 is 110.2 per cent of the consumption during the three corresponding quarters of the preceding year, that of the fourth

quarter amounts to no more than 94 per cent of that of a year ago. This decrease is to be explained partly by the exceptional severity of the weather in January and February 1929 and partly by the extent of unemployment, which reached its highest point in February. If we consider the receipts collected in March, April and May, which relate to the consumption in January, February and March, and if we express the consumption of January, February and March 1929 in percentages of the consumption during the same months of 1928, we arrive at figures of approximately 97 per cent, 80 per cent, and 107 per cent respectively. It would therefore seem as if the decrease were merely a passing phenomenon.

In January last the Government submitted to the Reichsrat, together with several other fiscal proposals, including one affecting alcohol to which mention is made below, a bill embodying modifications in the taxation of beer. This bill, which was only modified in one particular by the Reichsrat, was sent on March 6 to the Reichstag. It would appear, however, to be the present intention of the Government to withdraw it. The main provisions of the bill are as follows: (1) a 50 per cent increase in the rate of tax, (2) the suppression of the tax exemption at present accorded on the family consumption of the proprietors of private breweries, (3) a two year prolongation of the system of rationing the production of the breweries. The rates set up by the bill vary from 9 to 12.20 marks per hectolitre of "Vollbier" and are roughly equal to the rates which were proposed in 1925 and rejected by the Reichstag. The suppression of the tax exemption granted since 1922 to the proprietors of private breweries is designed to put an end to abuses resulting from the continual increase in the number of "Hausbrauer", a question which was treated in the report of October 26, 1928. The loss of revenue caused by this abnormal situation is estimated for the year 1928-29 at 1.8 million marks and the expenses of administration entailed by the special supervision necessary are considerable. Without recommending the indefinite maintenance of the system of rationing production which was instituted in 1918 with a view to facilitating the rehabilitation of the smaller breweries, the Government has proposed to prolong it for two years on the ground that the moment seems hardly propitious to restore complete freedom to the industry when an increase in the tax was coming into force. The system would normally have expired on March 31 last and has for the moment been prolonged until June 30 by the law of March 26, 1929, which adopts an emergency budget.

(4) As stated in my last report, the increase in consumption following the reduction of the sugar tax from 21 to 10.50 marks per 100 kilos was disappointingly small: for the sugar year September-August 1927-28 the increase was only 6.9 per cent compared with the previous year, and substantially less than the official estimate of at least 10 per cent. This tendency towards a slower rate of increase has continued, the increase of consumption for the financial year 1928-29 being 2 per cent, and the increase since the beginning of the sugar year 1928-29 to date (September-May) being almost the same.

As the retail price of sugar since the reduction of the sugar tax in August 1927 has been remarkably steady, it seems unlikely that the rate of increase in the consumption of sugar in Germany will substantially improve in the near future.

The consumption per head in kilos during recent years compared with 1913-14 was as follows:

<i>Sugar year</i>	1913-14	19.0
1924-25	.....	20.2
1925-26	.....	20.5
1926-27	.....	21.7
1927-28	.....	23.0

The only legislative measure which might have a bearing on the price of sugar and thus indirectly on consumption passed during the period under review was the law of December 14, 1928, under which the customs duty on sugar was increased as from December 18 from 15 marks to 25 marks per 100 kilos. This law is to remain in force only until December 31, 1931, when the customs duty is to revert to 15 marks. The consumer is protected against increased prices by a clause in the law which provides that if the average quotation for consumption sugar in Magdeburg (wholesale price without tax and sack) should exceed 21 marks per 50 kilos for a period of a month, or when the price of sugar is not quoted at Magdeburg for over a month, the customs duty will be reduced to 10 marks per 100 kilos, or less than the rate in force when the law was passed. The increased import duty was introduced owing to the continued fall of world prices and the increased dumping of foreign sugar into Germany. The figure of 21 marks for 50 kilos of sugar at Magdeburg corresponds to the average price of sugar on the Magdeburg exchange during the sugar year 1927-28; since the coming into force of the new customs duty the average price at Magdeburg has been considerably below the above limit and Hamburg export prices have continued to slump. Retail prices throughout Germany have, however, remained remarkably steady.

The revenue from the sugar tax for the financial year 1928-29 has been satisfactory when compared with the estimates, amounting as it did to 158.2 million marks, as compared with an estimate of 140. In my last report I stated that the estimates for 1928-29 would probably be exceeded by some 20 million marks; for the financial year 1929-30 the estimates are shown as 150 million marks — a conservative figure, since it is unlikely that the revenue for the present financial year will be less than that of last year.

(5) In the course of the last five budget years the alcohol monopoly has brought in the following sums:

1924-25	.....	141 million marks,
1925-26	.....	153 " "
1926-27	.....	227 " "
1927-28	.....	261 " "
1928-29	.....	297 " "

The fact that the receipts for 1928-29 exceeded those for 1927-28 by 36 millions may be attributed to three causes. In the first place the later year had the full advantage of the increase of taxation, equivalent to about 18 per cent, which was mentioned in previous reports and came into force on June 1, 1927, that is to say two months after the beginning of the year 1927-28. In the second place the exceptionally severe cold experienced last winter probably caused an appreciable increase in consumption, though against this must be set off the influence of extensive unemployment. Lastly and principally, considerable stocks of spirits were laid in as from the beginning of the year 1929 in anticipation of a fresh increase in taxation to which reference is made below: in the course of the first three months of this year the monopoly sold 237,000 hectolitres of spirits at the full rate of tax, as compared with 156,000 hectolitres during the same months of 1928. Owing to the way in which stocks were thus laid in it is impossible to form any estimate as to the real development of consumption in the course of the winter.

In January last the Finance Minister laid before the Reichsrat a bill to increase the tax on potable spirits from 330 to 400 marks as from April 1 last. To forestall any extension of fraud which the increase in the tax, which *ipso facto* increases the profit to be obtained from fraudulent operations, might bring about, the bill contained a series of provisions of which the two most important were a general obligation to deliver to the monopoly all spirits produced in Germany with the single exception of alcohol of high quality, and the prohibition of the sale on the free market of any spirits at a price lower than the monopoly's normal sale price. These two provisions tended to make the traffic and sale in spirits obtained irregularly particularly difficult, giving rise on the one hand to a presumption of irregularity in the case of all spirits other than alcohol of high quality offered in the open market, which thus ran the risk of confiscation, and on the other hand the presumption of complicity against every purchaser of such spirits and even against every purchaser of cheap spirits. As regards the first provision it is necessary to state in more detail what was summarily indicated in my last report, namely, that under the law of 1922, which fixed the statutes now governing the alcohol monopoly, the obligation to deliver to the monopoly all spirits produced in Germany is subject to important exceptions. Not only spirits made from cereals, fruits, or wine generally, and irrespective of the distillery in which they are produced, but also spirits of all kinds obtained by the small uncontrolled distilleries ("Abfindungsbrennereien") which were mentioned in the report of October 26, 1926, and which are very numerous, cannot be delivered to the monopoly but are retained by the distilleries and sold by them in the open market; furthermore every owner of a controlled distillery, if his annual production is not more than four hectolitres, is under no obligation to deliver to the monopoly whatever the nature of his production, provided that a declaration in due time is made to the fiscal administration. The bill suppressed the last two exemptions and limited the first as above stated to alcohol of high quality, that is to say, to spirits obtained from the distillation of cereals, wine, stone fruit, berries and gentian roots.

The bill contained two other provisions which deserve to be mentioned. In the first place it increased the rate of the compensating tax paid by the small distilleries on the spirits produced by them and not deliverable to the monopoly; the law of 1922 gave these distilleries the benefit of considerable reductions in the tax which the bill withdrew almost entirely. In the second place a reduced rate of tax was limited for the future to spirits sold for perfumery, with the result that the monopoly was to sell spirits for pharmaceutical purposes, to take the most important instance, at the same price as potable spirits.

The bill was accepted on March 5 by the Reichsrat, with the introduction of certain concessions to the small distilleries. In particular the obligation to be imposed on the "Abfindungsbrennereien" to deliver to the monopoly the whole of their production other than alcohol of high quality was transformed into an option to deliver or not to deliver.

The tax committee of the Reichstag, which examined the bill towards the end of April and beginning of May, approved the text as amended by the Reichsrat with further concessions to the small distilleries. Finally, on May 15, the Reichstag definitely accepted the committee's text, which was ratified on the following day by the Reichsrat and published as a law on May 21.

The principal changes effected by the law of May 21, 1929, are the following:

1. The tax on potable spirits is raised by 70 marks, becoming 400 instead of 330 marks. The law of 1922, which was passed in the inflation period, gave the Finance Minister power to fix the rate of tax; the new tax is inserted in the law and can therefore only be modified by further legislation.

On May 17, the "Beirat" of the monopoly decided that as from June 1, being the date on which the increased tax came into force, the monopoly's normal sale price would be increased from 500 to 600 marks. The increase in the sale price is thus greater than that in the tax and the difference of 30 marks is retained by the monopoly. It will be recalled that a similar procedure was followed at the time of the last increase in the tax.

It is not without interest to note here the different rates of full tax and of normal sale price which have been in force since the mark was stabilised.

Date when brought into force	Tax In gold marks or reichsmarks per hectolitre of pure spirits	Sale Price	
		480	600
October 20, 1923.....	480	600	
January 1, 1924.....	280	400	
October 22, 1924.....	280	480	
October 1, 1925.....	280	430	
June 1, 1927.....	330	500	
June 1, 1929.....	400	600	

2. The benefit of the reduced rate of tax accorded in the past for spirits delivered for the manufacture of perfumery, medicaments and certain other products, will be limited in the future to spirits for perfumery and spirits intended for the preparation of medicaments designed principally for external use. The change does not appear to be of great practical importance, since for several years past the monopoly has delivered only denatured spirits for pharmaceutical purposes at the reduced price.

3. The reduced rate of tax, which hitherto was fixed at the discretion of the Finance Minister, is fixed by the new law at 40 % of the corresponding sale price, with a minimum of 100 marks. The "Beirat" having raised the sale price in question from 250 to 330 marks as from June 1, the reduced rate of tax will be 132 marks as from the same date instead of 100 marks, which has been the rate in force during the last two years.

4. On pain of confiscation no spirits can be dealt in on the free market at a price below the monopoly's normal sale price, which is an entirely new prescription. It is proposed to complete this provision by administrative measures fixing minimum prices for wholesale dealings in various categories of spirits, in order to prevent fraudulent evasion of the minimum price through the dilution of spirits with water and their presentation as spirits ready for drinking, but no decision appears yet to have been taken.

5. All spirits exempt from compulsory delivery to the monopoly, other than alcohol of high quality, may be delivered to the monopoly on the request of the distiller. This provision is closely connected with the one last mentioned above, for such spirits might have difficulty in finding a market when they can no longer be offered at a lower price than the monopoly's sale price, and it was therefore necessary to assure the distillers an outlet. The law thus distinguishes between spirits which the monopoly is never obliged to accept (alcohol of high quality), spirits which the monopoly is obliged to accept on the request of the producer, and finally spirits compulsorily deliverable to the monopoly, the principal categories of which are potato spirit produced by the controlled distilleries, spirits from molasses, and spirits obtained by cellulose factories. It should be added that the spirits subject to compulsory delivery represent more than nine-tenths of the total production.

6. The controlled distilleries with a production of not more than four hectolitres will lose the liberty which they formerly enjoyed of retaining the whole of their production and will be bound to deliver to the monopoly such part of their production as is not composed of spirits from cereals, wine or fruits. This provision is not unimportant, for it means the virtual disappearance from the free market of spirits obtained by the distillation of sugar, molasses and similar substances, which were often used by revenue defrauders, and any offer of such spirits on the market will be in itself a confession of irregular origin.

7. The tax on spirits will be charged in future on all spirits not delivered to the monopoly. As explained in my last report, undelivered spirits are subjected to a compensating tax divided

in principle into two parts, one of which is the tax properly so called and the other a contribution retained by the monopoly: hitherto in view of the reductions in the tax granted to the small distilleries the amounts which they paid were retained for the exclusive benefit of the monopoly, but henceforth the tax will be paid to the account of the controlled revenues on the whole amount of undelivered spirits.

8. That part of the production of the small distilleries which is delivered to the monopoly will have the benefit of different additions to the monopoly's purchase price amounting in the generality of cases to something between 150% and 225% of the "basic price". If potato spirit, for instance, is bought by the monopoly at 62 marks a hectolitre, a price of not less than 155 marks and not more than 201.50 marks per hectolitre will in most cases be paid for the spirits in question.

The provisions of the new law respecting the rates of tax came into force on June 1. Its other provisions, which call for various administrative measures on the part of the Finance Ministry before they can be brought into operation, do not come into force until August 1.

The Finance Ministry estimated the increase to be expected from the acceptance of its proposals at 90 million marks over the estimates for 1928-29 and the future annual yield of the monopoly at 360 million marks. The concessions made by the Reichstag do not in themselves seem to require an appreciable reduction of these estimates; it should be added that the figures were arrived at upon the hypothesis that the quantities of taxed spirits will remain about the same, a natural decrease in consumption caused by the increase in prices being compensated by more efficient repression of fraud. It remains to be seen whether the law as voted will permit the realisation of this hope and also whether satisfaction will be granted to a large number of cities which demand the re-establishment of communal taxes on spirits, which would obviously have a depressing effect on consumption. It should be noted that the estimates quoted above refer to a full year of the increased tax and not therefore to the budget year 1929-1930, for which the latest estimate is 340 million marks.

It is apparent that the new law modifies the organic law governing the monopoly only in details. As regards the bill for the reorganisation of the monopoly which was submitted to the last legislature and has been several times mentioned in this series of reports, the explanatory memorandum attached to the bill which became the law of May 21, 1929, states that the government considers it necessary to submit the general plan of reorganisation to a thorough examination and deems it desirable to await the result of an enquiry now being made into the distribution of the rations of production and into the conditions of agricultural distilling before presenting its proposals to the legislature. This important question is therefore adjourned *sine die*.

There was an abundant potato crop in 1928, almost as great as the 1925 crop, and considerably greater than the crops of 1926 and 1927. Official estimates give figures of 41.3 million metric tons

for 1928, 37.6 million for 1927, 30.0 million for 1926 and 41.7 for 1925. Distilling has therefore been carried on actively this winter, aided by the fact that for one month frost prevented all transport of potatoes. In spite of a slight reduction in the "basic price" which came into force on February 20, it may be regarded as certain that the production of spirits in Germany during the campaign 1928-29 will constitute a record for the period subsequent to 1914. During the first six months of the campaign (October to March) the monopoly took over 2,056,000 hectolitres, as compared with 1,768,000 hectolitres during the same months a year previously, the quantities sold during the same periods being respectively 1,294,000 hectolitres and 1,183,000 hectolitres. The development in sales is due principally to the acquisition of stocks of potable spirits to which reference is made above, but also to a certain improvement in the sales of spirits for motive power and domestic use. The net result of the above movements is that the monopoly's stocks have been increased and on March 31 last amounted to 1,265,000 hectolitres.

The accounts of the monopoly for the campaign 1927-28 have now been published and show that the average production price per hectolitre, which was higher than in 1926-27 owing to the raising of the "basic price" at which the monopoly purchased, exceeded the average sale price by approximately 4 marks. There is nothing abnormal in this situation since the monopoly has at its disposal, as indicated in my last report, special receipts from spirits left with the producers and imported spirits, which are precisely designed to cover the deficit resulting from such a gap between the two prices. The receipts in question considerably exceeded the deficit in 1927-28 and the operations of the year would have left the monopoly with a very considerable profit if it had not been necessary again to set aside large sums for the revalorisation of the indemnities provided in the law setting up the monopoly. The net profit which the monopoly was able to obtain in addition to the yield of the tax amounted to less than one million marks.

Since the new law imposes certain additional burdens on the monopoly and is calculated to provoke a falling off in consumption, as a measure of prudence not only the sale price of spirits subject to tax but also of spirits for the manufacture of vinegar and spirits sold for motive power have been increased, the former from 70 to 80 marks as from August 1 next and the latter from 18 to 31 marks as from June 1 last.

IV.

Visits of inspection were paid to six Oberfinanzkassen, to two of the principal Zollkassen that remit their revenue receipts directly to my account, to a number of ordinary Zollkassen, and to a branch office of the Alcohol Monopoly Administration. At all of these offices the accounting, the blocking, and the transmission of the controlled revenues are correctly effected.

Signed: ANDREW McFADYEAN.

The Commissioner of Controlled Revenues

**Reserve Fund accumulated in Accordance with Chapter III of Annex I to the Agreement of August 9, 1924,
between the Reparation Commission and the German Government.**
Income and Expenditure Account for the first seven months of the Fifth Annuity Year (September 1, 1928, to March 31, 1929)
(Expressed in Reichsmarks)

Expenditure	Amount	Income	Amount
Amount required to retain the Reserve Fund at the Reichsmark equivalent of G.M. 100,000,000.— at the fine gold rate of March 28, 1929	405,000.—	Interest earned on Investments	3,976,063.52
Amount applicable to the German Government in respect of interest earned on Investments (less taxes and expenses), after completion of the Reserve Fund	3,253,338.10	Less: Tax (Kapitalertragsteuer) 269,091.67	
	3,698,338.10	Expenses of purchase of investments	4,390.—
	3,698,338.10	Charges for safe custody of investments	4,243.75
			277,725.42
			3,698,338.10
			3,698,338.10

Balance Sheet as at March 31, 1929.

(Expressed in Reichsmarks)

Assets	Amount	Liabilities	Amount	
Investments		Reserve Fund accumulated in accordance with Chapter III of Annex I to the Agreement of August 9, 1924, between the Reparation Commission and the German Government as at August 31, 1928	90,689,000.—	
Mortgage Bonds at cost, maturing 1929-31	65,900,000.—			
Treasury Bills maturing not later than May 1929. Nominal value R.M. 35,000,000.—	Cost 34,590,581.24	100,490,581.24	Add: Amount required to retain the Reserve Fund at the Reichsmark equivalent of G.M. 100,000,000.— at the fine gold rate of March 28, 1929	465,000.—
Cash at Bank		9,418.76	100,154,000.—	
Interest accrued less tax thereon		1,152,292.71	Due to the German Government	1,498,292.71
			101,652,292.71	

**REPORT
OF THE
TRUSTEE
FOR
GERMAN INDUSTRIAL
DEBENTURES**

June 15, 1929

BERLIN

ТЮЧЕН

СИДОР

Report of the Trustee for German Industrial Debentures.

(September 1, 1928 — February 28, 1929.)

The present Report covers the first half of the *fifth year of the application* of the Experts' Plan. Its object is to give an account of the new measures taken by the Government of the Reich to ensure the application of the Industrial Charges Law (*Industriebelastungsgesetz*) of August 30, 1924, and of the results obtained by the Bank für Deutsche Industrie-Obligationen as at December 31, 1928.

* * *

As explained in the Report of November 15, 1928, the industrial charge is at present represented by the new individual debentures handed to the Trustee on July 14, 1928, following the second distribution of the charge effected in virtue of Article 6 of the Law of August 30, 1924, and by the negotiable individual debentures created at the time of the first distribution of the charge in virtue of Article 13 of the said Law, which are still in possession of the Trustee after the exchanges effected as a result of the application of Article 18 of the Law.

On February 28, 1929, the nominal value of the industrial debentures of the undertakings subject to the Industrial Charges Law, which after amortisation in 1928 amounted to 4,950,000,000 gold marks, was made up of 4,369,860,000 gold marks of industrial bonds and 580,140,000 gold marks of negotiable industrial debentures. There has been an increase—as a result of a further exchange effected by the Trustee in conformity with the provisions of Article 18 of the Law—of 2,970,000 gold marks in the nominal value of the Industrial Bonds since September 1, 1928, offset by an equivalent reduction in the nominal value of the negotiable debentures.

* * *

Article 8 of the Industrial Charges Law provided that at the first distribution certain groups of industrial concerns were to bear a fixed share of the total charge. The results of the first and second distribution are given below together with the percentages fixed by the Law:

Groups of Industries	Percentages		
	As fixed by the Law	at the first distribution	at the second distribution
a) Iron industry (mines & manufacture of iron & steel)	20	18.2	17.03
b) Machine and electrical industry (including the generation of electrical power)	17	20.1	18.06
c) Chemical industry	8	9.4	10.13
d) Textile industry	7	10.7	11.82

Whereas at the time of the first distribution the percentages did not differ greatly from those prescribed by the Law, after the second distribution the iron industry showed a reduction of more than 10 per cent of the basic percentage. In such case the Law allows the Trustee to call for a readjustment of the charge at the next distribution. But, there being no reason to believe that the difference between the respective percentages is due to any defect in the method of assessing the tax, the Trustee thereupon stated to the Bank that he waived his right to call for the readjustment allowed under the Law.

* * *

The decrees promulgated by the German Government during the period September 1, 1924 to the date of the present Report for the purpose of ensuring the application of the *Industrial Charges Law* (Industriebelastungsgesetz) are *thirteen* in number. No new decree was published during the period September 1, 1928 to February 28, 1929. On the other hand *two* new decrees—the *tenth* and the *eleventh*—have been promulgated during the period in question for the purpose of ensuring the application of the *Law for the production of the industrial charge* (Aufbringungsgesetz).

The *Tenth Decree* of December 19, 1928, in application of the Aufbringungsgesetz (Reichsgesetzblatt of December 29, 1928, II, No. 50, page 648) deals with the collection of the annual payments for the calendar year 1929.

The general provisions relating to the distribution of the total annual charge of 300 million gold marks between the undertakings subject to the Aufbringungsgesetz are contained in the second decree in application of the Aufbringungsgesetz of December 4, 1925; but after the new distribution the Government thought it necessary to issue special directives in order to avoid differences in the procedure of application and to clear up points open to doubt.

As regards the fixing of the annual charge due by each undertaking in the calendar year 1929, Articles 1, 2 and 3 of the tenth decree state that the basis of assessments is to be that of the property tax (*Vermögenssteuer*) for 1928, as ascertained on January 1, 1928; that the public undertakings (Reich, States and communes) are subject to the charge if they existed on January 1, 1928, or were created during 1928; and that all undertakings which have ceased to exist as a result of liquidation or dissolution are required to pay the annual charge for 1929, when such cessation of business took place after January 1, 1928. The last provision also applies to undertakings which have gone bankrupt since January 1, 1928.

The decree regulates the procedure to be followed for taxing public concerns, in particular those not subject to the property tax (*Vermögenssteuer*). It also gives the basis of assessment to be adopted where the basis of assessment of the property tax for 1928 is not yet known or is subject to revision.

The decree prescribes March 5 and July 15, 1929 as the dates of payment of the two half-yearly payments to be effected, and adds that any delay involves the calculation of penal interest, as prescribed for the application of the property tax.

The object of the Government in this decree was to do away with existing doubts as to whether concerns, the industrial or commercial character of which is not altogether clear, are subject to the charge. The decree states that the following undertakings are not subject to the Law for the production of the charge:

- a) concerns which are exclusively occupied with the administration and utilisation of their own built-on land sites, in so far as such concerns do not constitute commercial undertakings;
- b) commercial companies, consortiums and similar associations coming under the terms of Article 26, paragraph 2, No. 1 of the Assessment Law of the Reich (*Reichsbewertungsgesetz*), which do not pursue any form of economic activity.

The *Eleventh Decree* of January 3, 1929, in application of the Aufbringungsgesetz (*Reichsgesetzblatt* of January 11, 1929, Part II, No. 3, page 32) fixes at 11.39 the percentage of the working capital (*Betriebsvermögen*) which is to serve as a basis for the calculation of the annual payment of 300,000,000 gold marks required to assure the service of interest and amortisation of the industrial debentures at the rate of 6 per cent per annum on the nominal capital of 5 milliard gold marks. The sum to be paid by each concern in 1929 (Articles 4 and 10 of the Law for the production of the charge) is fixed at 7.5 *per mille* of the respective *Betriebsvermögen* (6 per cent of 11.39 per cent, plus 10 per cent to go to form the guarantee fund).

By way of comparison, the following figures may be given: they represent the percentages to be applied to the *Betriebsvermögen* in order to obtain the amount of the final annuities starting from 1926:

3.5 *per mille* for 1926 (2.5 per cent of 12.72 per cent, plus 10 per cent for guarantee fund = 3.5 *per mille*);

7.1 *per mille* for 1927 (5 per cent of 12.90 per cent, plus 10 per cent for guarantee fund = 7.1 *per mille*);

7.65 *per mille* for 1928 (6 per cent of 12.90 per cent, plus 10 per cent for guarantee fund = 8.5 *per mille*; reduced to 7.65 *per mille* in virtue of the provisions of the ninth decree of May 31, 1928, which reduced by 20 per cent the rate to be applied for the calculation of the second half-yearly payment, thus reducing indirectly by 10 per cent the whole annual payment);

7.5 *per mille* for 1929 (6 per cent of 11.39 per cent, plus 10 per cent for guarantee fund = 7.5 *per mille*).

The contribution to be paid in 1929 has therefore been reduced by 0.15 *per mille* as compared with 1928. Since the rate of interest and sinking fund on the industrial debentures has remained at 6 per cent in both 1928 and 1929 (5 per cent interest plus

1 per cent sinking fund), this implies a slight increase in the *Betriebsvermögen* of the concerns subject to the Law for the production of the charge.

The eleventh decree maintains for the year 1929 the provision assuring to concerns occupied in the business of high sea shipping, inland shipping or air transport the favourable treatment allowed under Article 2 of the third decree for the production of the charge, according to which the said concerns are only called upon to participate in the payments to the extent of 50 per cent.

*
* *

The *fourth* business year of the Bank für Industrie-Obligationen closed on December 31, 1928. The figures of the balance sheet and profit and loss account, approved by the general meeting of shareholders held on March 19, 1929, are given below together with the figures for the previous year:

BALANCE SHEET.

<i>Assets</i>	<i>1928</i> <i>Reichsmarks</i>	<i>1927</i> <i>Reichsmarks</i>
Share capital not yet paid up	2,500,000.—	2,500,000.—
Cash in hand and postal check credit balance	16,267.78	12,853.93
Credit balance with the Reichsbank and with other banks	59,038,522.56	63,221,490.21
Securities 25,308,756.60 written of.. 232,122.85	25,076,633.75	8,571,717.10
Loans and advances	1,640,690.26	1,025,676.35
Inventory 20,954.90 written of.. 20,953.90		1.—
Charge production payments account	20,059,855.81	27,810,614.24
Capitalised amount of the claims of the Bank under the Industrial Charges Law 5,000,000.000.—		
Amortisation payment 1928 50,000,000.—	4,950,000,000.—	5,000,000,000.—
Claim of the Bank in respect of the industrial charge annuity for the period from September 1 to December 31, 1928	100,000,000.—	100,000,000.—
Total ..	<u>5,158,332,971.16</u>	<u>5,203,142,352.83</u>

<i>Liabilities</i>	1928	1927
	<i>Reichsmarks</i>	<i>Reichsmarks</i>
Share capital	10,000,000.—	10,000,000.—
Reserve fund under Art. 262 of the Commercial Code .	273,125.—	250,000.—
Reserve for special costs of the Bank under Art. 28 of Industrial Charges Law	500,000.—	500,000.—
Deposits	283,491.73	271,931.62
Employees Relief Account..	180,285.15	92,195.—
Adjustement and Guarantee Fund Account	67,500,000.—	37,500,000.—
Carry forward account for the adjustment of charge production payments . . .	4,583,787.47	26,231,986.97
Special reserve account under Art. 7 of the Industrial Charges Law.....	4,478,426.—	—
Charge production adjust- ments account	20,059,855.81	27,810,614.24
Capitalised amount of the claims of the Trustee under the Industrial Charges Law..... 5,000,000,000.—		
Amortisa- tion pay- ment 1928 50,000,000.—	4,950,000,000.—	5,000,000,000.—
Claim of the Trustee in re- spect of the industrial charge annuity for the period from September 1 to December 31, 1928 . . .	100,000,000.—	100,000,000.—
Surplus	474,000.—	485,625.—
Total . .	5,158,332,971.16	5,203,142,352.83

PROFIT AND LOSS ACCOUNT.

<i>Debit:</i>	1928	1927
	<i>Reichsmarks</i>	<i>Reichsmarks</i>
To expenses of management	1,497,340.32	1,184,718.79
Written off inventory . . .	20,953.90	35,452.22
Written off securities . . .	232,122.85	200,683.—
Surplus	474,000.—	485,625.—
	2,224,417.07	1,906,479.01

<i>Credit:</i>		1928 <i>Reichsmarks</i>	1927 <i>Reichsmarks</i>
By receipts from interest ..		7,222,428.62	4,905,153.14
1. Appropriated to adjustment and guarantee fund account 1,640,027.30			
2. Appropriated to carry forward account for the adjustment of charge production payments	3,851,849.97	5,491,877.27	3,718,187.24
		1,730,551.35	1,186,965.90
Trustee's share in the cost of management		493,865.72	406,723.35
Brought forward from the previous year		—	312,789.76
		2,224,417.07	1,906,479.01

The "Carry forward account for the adjustment of charge production payments" closed in 1927 with a sum of 26,231,986.97 reichsmarks, the greater part of which represented the surplus payments made to the Bank by undertakings subject to the charge as compared with the sums actually due, owing to the fact that the distribution of the charge was made in 1926 and 1927 on the basis of a provisional rate. This sum was completely utilised during the business year 1928 to make up the annual payments due to the Trustee on the fixed dates—a result due mainly to the reduction introduced into the rate of payment to be effected by the undertakings during the second half year. This account is entered in the 1928 balance sheet for 4,583,787.47 reichsmarks, this sum being derived partly from the profits on exchange made by the Bank owing to the fact that its payments to the Trustee are made in gold marks and not in reichsmarks, and partly from some of the interest (3,851,849.97 reichsmarks) earned on the investment of capital.

The "Adjustment and Guarantee Fund Account," formed in principle out of the 10 per cent supplement paid by the undertakings subject to the charge under the provisions of Article 10 of the Law on the production of the charge, increased during the business year 1928 from 37,500,000 reichsmarks to 67,500,000 reichsmarks. It includes a sum of 1,640,027.30 reichsmarks taken from the interest earned on the investment of capital.

The "Securities Account" has increased from 8,571,717.10 reichsmarks in 1927 to 25,076,633.75 reichsmarks in 1928 as a result of the larger funds at the disposal of the Bank due to payments

effected during the business year 1928 in respect of the "Adjustment and Guarantee Fund Account."

The "Special reserve account under Article 7 of the Industrial Charges Law" appears for the first time in 1928 in the balance sheet of the Bank. In principle this reserve is formed out of the sums paid either by undertakings established in the interval between two successive distributions or by undertakings which in the same interval have increased their *Betriebsvermögen*, in proportion to such increase. Article 4 of the tenth decree in execution of the Industrial Charges Law authorised the Government of the Reich in agreement with the Trustee and the Bank to make an approximate estimate of what such a reserve should amount to. The estimate for the years 1925-1927 gave the sum of 4,478,426 reichsmarks, which was accordingly collected by the Bank from the charge production payments and carried to the account in question.

As for the "Profit and Loss Account" it has already been explained on several occasions that the profits of the Bank are derived first from the interest received on the investment of funds at the disposal of the Bank during the period elapsing between the date of payment of the annuities by the undertakings liable to the charge and the date of the payments effected by the Bank to the Trustee, and secondly from the interest earned on the reserve funds. The total of the interest thus collected during the business year 1928 was 7,222,428.62 reichsmarks as against 4,905,153.14 reichsmarks in the business year 1927. The Bank credited the "Carry forward account for the adjustment of charge production payments" with an amount of 3,851,849.97 reichsmarks and the "Adjustment and Guarantee Fund Account" with an amount of 1,640,027.30 reichsmarks. The balance of 1,730,551.35 reichsmarks, together with the sum of 493,865.72 reichsmarks paid by the Trustee in virtue of Article 28 of the Industrial Charges Law, making an aggregate total of 2,224,417.07 reichsmarks, forms the gross profit for the business year. This sum, reduced by the expenses of management of the Bank and writing down securities and inventory, leaves a surplus of 474,000 reichsmarks, representing the net profit. The Bank has taken 24,000 reichsmarks of this sum to increase the reserve fund under Article 262 of the Commercial Code, the balance being distributed to the shareholders in the form of a 6 per cent dividend on the paid up capital of 7.5 million reichsmarks.

* * *

In conformity with the Statutes of the Bank, five members of the Managing Board retired at the end of 1928, viz. Ministerialdirektor Ernst Bail, Ministerialdirektor Prof. Dr Herbert Dorn, Clemens Lammers, Dr Paul von Schwabach and Secretary of State Dr Ernst Trendelenburg. Under Article 8 of the Statutes the Government of the Reich has again nominated the above gentlemen to the Managing Board. Their re-election was made known to the Council at its meeting of February 9, 1929. At the same meeting Dr Krupp von Bohlen und Halbach, Chairman of the Managing Board of the Bank since its foundation, was re-elected.

During the business year 1928 the Managing Board had occasion to deplore the loss of one of its members, M. Léopold Dubois, Chairman of the Schweizerischer Bankverein, who died at Basel on October 13, 1928. M. Dubois was, because of his great intellectual qualities and experience, a most valuable colleague and counsellor for the Bank. The non-German members of the General Council of the Reichsbank, who, under the procedure fixed by the Industrial Charges Law, have the duty of appointing a successor, chose M. R. de Haller, the Geneva delegate of the Managing Board of the Basler Handelsbank.

* * *

As from the fourth year of application of the Industrial Charges Law, the annuity to be paid by the undertakings subject to the charge attained the standard amount of 300 million gold marks, representing interest and sinking fund to the extent of 6 per cent per annum on the nominal amount of 5 milliard gold marks of industrial debentures. Consequently the first half-yearly instalment of the fifth reparation year (September 1, 1928 — February 28, 1929) was 150 million gold marks. This sum was punctually paid by the Bank to the Trustee on April 1, 1929.

Owing to the amortisation effected during the business year 1928 of industrial debentures for a nominal value of 50,000,000 gold marks, the service of interest at the rate of 5 per cent on the nominal capital of 4,950,000,000 gold marks called for a sum of only 123,750,000 gold marks during the six months September 1, 1928, to February 28, 1929, the balance of 26,250,000 gold marks having to be retained for the amortisation to be effected during the business year in conformity with the sinking fund plan.

Owing to the exchange of debentures to which reference was made above, the 5 milliards of industrial debentures held under the Experts' Plan by the Trustee and the Bank, for the account of the reparation Creditors, is made up of (nominal value) 4,414,000,000 gold marks worth of non-negotiable individual debentures and 586,000,000 gold marks worth of negotiable debentures. The number of undertakings subject to the industrial charge at the second distribution is 39,949 as against 58,535 at the first distribution.

Berlin, June 15, 1929.

(signed) B. NOGARA.

REPORT
OF THE
TRUSTEE
FOR THE
GERMAN RAILWAY BONDS

June 29, 1929

BERLIN

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Report of the Trustee for the German Railway Bonds.

In his last report (dated December 12, 1929) the Trustee stated that an examination of the functioning of the Company during the business year 1928 would be dealt with in a subsequent report. The examination in question forms the subject of the present report.

In the course of the year the Railway Company has paid to the Agent General for Reparation Payments for account of the Trustee a sum of 660 million gold marks in payment of the interest and amortisation of the 11 milliard gold marks of bonds, for which the Company is charged on reparation account under the Dawes Plan.

This payment should be compared with the charges of the same kind borne by the Company in previous years, viz:

Business year 1925 (Oct. 1, 1924-Dec. 31, 1925)	400 million gold marks,
Business year 1926	575 million gold marks,
Business year 1927	590 million gold marks.

In 1929 and subsequent years the Company is required to pay a sum of 660 million gold marks. The monthly payments for 1929 have been made regularly up to the present.

The financial results of the Company in the first four business years are as follows:

EXPENDITURES (not including the reparation annuities)

in millions of reichsmarks.

Business year	Operating ex- penditure	Capital ex- penditure	Legal reserve	Additional reserves	Preference dividend & service of new debts
1925 (15 months)..	4,850	239 ¹	113	150	3
1926	3,681	408	91	70 ²	41
1927	4,159	348 ³	101	120	64
1928	4,294	286	103	25	78
	16,984	1,281	408	365	186

¹ Plus 176 millions included in the operating expenditures for the year.

² Plus a reserve for a programme of orders to the value of 70 millions, which was used up in 1927.

³ Plus 140 millions, which were included in the operating expenditures for the year (including the 70 millions referred to above).

We find therefore an increase of operating expenditures in 1928 as against 1927 to the amount of 135 millions or 3.2 per cent.

The operating expenditures of 1927 exceeded the total for 1926 by 478 millions or about 13 per cent.

Capital expenditures decreased by 60 millions in 1927 as compared with 1926, and by 62 millions in 1928 as compared with 1927.

Receipts

in millions of reichsmarks

Business year	Operating receipts	Proceeds of sale of preference shares	Receipts and contributions of third parties and Reich credits
1924-1925 (last three months of 1924)	1,000		
12 months of 1925	4,669	86	3
1926	4,541	295	77
1927	5,039	—	59
1928	5,159	200	38
	20,408	581	177

As in previous years, the operating receipts show an increase in 1928 over previous periods. The increase is 10.5 per cent as compared with the twelve months of 1925, 13.6 per cent as compared with 1926, and 2.4 per cent as compared with 1927.

The operating ratios since the establishment of the Company have been:

85.56 for the business year 1925,

81.06 for the business year 1926,

82.53 for the business year 1927,

83.24 for the business year 1928.

For the four years taken together the capital expenditures exceeded the capital receipts by 517 million gold marks. The issue of preference shares in 1928 made it possible to cover 60 per cent of the capital expenditure out of capital receipts during the first four years. For the first three years the proportion so covered was only 53 per cent. The balance of capital expenditure has been met out of operating receipts.

The operating profit of the Company in 1928 was 865 million reichsmarks, as against 880.5 millions in 1927 and 860.2 millions in 1926.

The balance in hand in 1928 was 1,038 million reichsmarks, as against 1,048.2 millions in 1927 and 1,013.4 millions in 1926.

The distribution of this balance was as follows: 658.3 million reichsmarks went to the service of the reparation bonds; 75.7 millions went to payment of the dividend on the preference shares; and 2.5 millions to payment of interest on debts and new loans of the Company. 25 millions appear in the profit and loss account for amortisation of the concession, and 103.2 millions for transfers to the legal reserve. 173.3 millions were carried forward.

The sums devoted to amortisation and reserves or carried forward thus amount to 29 per cent of the available profits, as against 37.5 per cent in 1927, excluding the amortisation of the reparation bonds.

The 1928 balance-sheet puts the value of the concession, plant and supplies at 25,942 million reichsmarks, as against 25,866 million reichsmarks in 1927, 25,585 million reichsmarks in 1926, and 25,131 million reichsmarks on October 1, 1924. The cash in hand or with banks or in short term investments was 775.4 millions in 1928, as against 612.8 millions on December 31, 1927, and 704.2 millions on December 31, 1926.

Since the foundation of the Company the amortisations and reserves have totalled 773.2 million reichsmarks.

In the course of the fifth year of the Dawes Plan, which runs from September 1, 1928, to August 31, 1929, the Company is called upon to pay 660 million gold marks.

This total is made up of 544.5 millions for interest and 115.5 millions for sinking fund, as shown in the "Table of the Service (Interest and Amortisation) of the Bonds of the Deutsche Reichsbahn-Gesellschaft" published in the Trustee's report of December 12, 1928, as drawn up by joint agreement of the Railway Company and the Trustee and approved by the German Government.

Under the terms of § 8 (14) of the Statutes of the Company the Trustee is required to render a half-yearly report to the Reichsschuldenverwaltung and the Company on the manner in which the sums paid for the interest and redemption of the bonds have been employed.

The agreement concluded on October 6, 1928, between the Trustee and the Company with regard to the *annual* redemption of the bonds deprives this stipulation of its *raison d'être*; and on March 12, 1929, the Reichsschuldenverwaltung accordingly gave its assent to a proposal of the Trustee to replace his half-yearly by an annual report.

In his last Report the Trustee pointed out that, in execution of § 13 of the Statutes of the Company, the Government of the Reich and the Trustee were required to replace the members of the Board of the respective groups appointed by lot to retire as from December 31, 1928.

The Government of the Reich appointed
Herren Herrmann, Schmitz and Welker.

It has further appointed Herr Jeidels to the place left vacant by the resignation of Dr. Luther, former Chancellor of the Reich.

The Trustee for his part re-appointed M. Margot and Sir Osborne Mance and appointed Herr Silverberg.

Under the terms of the new Experts' Plan of June 7, 1929, it is proposed that the railway bonds shall be abolished, and that the charge which they have involved for the Company shall be replaced by

an obligation on the latter to pay a direct tax to the annual amount of 660 million reichsmarks to the Bank for International Settlements for 37 years, this tax to be imposed by German legislation and the receipts therefrom to be guaranteed by the German Government. The tax is to be collected from the gross revenues of the Company, taking rank after the expenditure on personnel and being placed on the same footing as expenditure for material and consumable stores. It is to have priority over all other taxes at present levied on the Railway Company, or to be levied in the future, as well as over all other charges, by way of mortgage or otherwise, attaching to the Company.

June 29, 1929.

LEON DELACROIX.